United States Court of Appeals

for the Second Circuit

APPENDIX

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VOLUME II

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United States Court of Appeals

For the Second Circuit

PIERRE J. LELANDAIS & CO., INC., PIERRE J. LELANDAIS, RESEARCH & SCIENCE INVESTORS, INC., INTERCONTINENTAL TECHNOLOGY & NATIONAL RESOURCES, CORONET FUND and CREATIVE CAPITAL FUND,

Plaintiffs-Appellees,

vs.

MDS-ATRON, INC. and MOHAWK DATA SCIENCES CORP.,

Defendants-Appellants,

and

JOSEPH S. STOUTENBURGH and RICHARD L. KARPEN,

Defendants.

On Appeal from the United States District Court

For the Southern District of New York

UNITED STATES COURT OF APPEALS
FILED
JUN 20 1975
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SECOND CIRCUIT

JOINT APPENDIX ON APPEAL

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Plaintiffs' Exhibit 13

MINUTES OF MEETING OF BOARD OF DIRECTORS OF ATRON CORPORATION

A meeting of the Board of Directors of ATRON Corporation was held in the offices of Mohawk Data Sciences Corp. in Herkimer, New York at 2:00 p.m. on Tuesday, July 14, 1970. All directors were in attendance. These included the following:

J. S. Stoutenburgh
D. C. Stanga
M. M. Koschmann
R. P. Rifenburgh

Mr. P. J. LeLandais resigned from the Board effective June 10, 1970 and, therefore, was not in attendance. Mr. Stoutenburgh acted as Chairman of the meeting and Mr. Stanga acted as Secretary of the meeting.

The following resolutions were made and adopted:

WHEREAS, First Trust Company of St. Paul is a transfer agent and registrar of the Common Shares of the Company; and

WHEREAS, First Trust Company of St. Paul is insured under Blanket Lost Original Instruments Bond No. 1-820355 and Blanket First Class Mail Insurance Policy No. 366GA0348, both issued by Saint Paul-Mercury Indemnity Company;

NOW, THEREFORE, BE IT RESOLVED, That said insurance policies are hereby approved and adopted for this Company and First Trust Company of St. Paul as its transfer agent and registrar, and said policies are hereby determined to be sufficient for the purposes of authorizing said transfer agent and registrar to issue replacement stock certificates which are within the scope of said policies.

RESOLVED, ATRON will not at this time purchase any of its own securities on the open market.

Plaintiffs' Exhibit 13

RESOLVED, The company's excess capital will be invested in Certificates of Deposit and U. S. Treasury Bills. Any funds currently invested in loan participations with First National Bank of Saint Paul will be reinvested in Certificates of Deposit and U. S. Treasury Bills upon the participations' maturity.

RESOLVED, Board meetings will be called by the Chairman at four- to six-week intervals. Board members will be so notified in advance.

RESOLVED, The Board accepts the resignations of Mr. Pierre J. LeLandais and Mr. Richard P. Rifenburgh effective immediately. Their contributions during the formative stages of the Company are acknowledged with appreciation.

RESOLVED, The Board elects to fill the vacancies created by Mr. LeLandais' and Mr. Rifenburgh's resignations with the following individuals:

Mr. Jeffrey Weiss - Ladenburg, Thalmann & Co.

Mr. Richard L. Karpen - Mohawk Data Sciences Corp.

A discussion relating to the Company's business plan was undertaken. It was decided that alternate courses of action should be identified to bring the Company's operating expenses and lagging sales volume into a more proper relationship. These alternatives will be presented and discussed at the next Board Meeting.

There being no further business to come before the meeting, it was on motion duly made, seconded and adopted, adjourned.

Dennis C. Stanga

D. C. Stanga
Assistant Secretary

ATTEST:

J. S. Stoutenburgh
Chairman

DEFT Exhibit F for Ident 5-15-73

FOR: MOHAWK DATA SCIENCES CORP. (NYSE)

FROM: Ronald F. Hengen
Bejan and Hengen, Inc.
One New York Plaza, New York
(212) 425-0940

FOR IMMEDIATE RELEASE

MOHAWK DATA SCIENCES CORP. AND ATRON CORP.

ANNOUNCE AGREEMENT TO MERGE

NEW YORK, N.Y., Jan. 29, 1971 -- Mohawk Data Sciences Corp. and Atron Corp. announced today that an agreement had been reached in principle to merge the two companies. MDS a manufacturer and marketer of peripheral data processing equipment and systems, is a major customer of Atron's peripheral controllers and currently owns 195,000 of Atron's 1,088,573 outstanding common shares.

Messrs. Richard P. Rifenburgh, President of MDS and Joseph S. Stoutenburgh, President of Atron stated that the proposed merger should benefit the shareowners of both companies in view of the commonality of interests and combined product development programs resulting from a close 2-year working relationship.

The officials announced that the exchange ratio for the proposed merger had been established at one share of MDS common for four shares of Atron common stock. On the basis of this exchange ratio, MDS will issue approximately 225,000 shares

Plaintiffs' Exhibit 14

for the stock of Atron owned by persons other than MDS. Further, Atron has warrants outstanding to purchase additional 170,000 shares of its stock and has employee stock options outstanding for 33,089 shares. A definitive agreement will be prepared shortly and submitted to the Boards of Directors of both companies and the stockholders of Atron.

For its most recent fiscal quarter, MDS earned $1,265,000 or 23¢ per share on revenues of $21,780,000. Atron, an EDP engineering, manufacturing and marketing concern founded in 1968, specializes in peripheral controllers and computer-based systems. That company reported revenues of $895,483 (of which 90% were to MDS), and a net loss of $1,087,000 in the fiscal year ended September 30, 1970.

Atron's operations will continue at its present headquarters in St. Paul, Minnesota.

# # # # #

Plaintiffs' Exhibit 15

AGREEMENT AND PLAN OF MERGER (hereinafter referred to as "this Agreement"), dated as of March 12, 1971, between MDS-ATRON, INC., a Delaware corporation ("MDSA") and ATRON CORPORATION, a Minnesota corporation ("Atron"), MDSA and Atron being hereinafter sometimes referred to as the "Constituent Corporations" and MDSA being hereinafter sometimes referred to as the "Surviving Corporation".

This Agreement has also been executed by Mohawk Data Sciences Corp., a New York corporation ("MDS"), to evidence and render enforceable the representations, warranties and agreements made by and to MDS herein.

W I T N E S S E T H :

WHEREAS, the respective Boards of Directors of MDS, MDSA and Atron deem it advisable and for the general welfare and advantage of the respective corporations and their respective stockholders that Atron merge into MDSA pursuant to this Agreement and pursuant to the applicable provisions of the laws of the State of Delaware and the State of Minnesota and that upon such merger (which shall constitute a reorganization as defined in Section 368 (a) (1) (A) of the Internal Revenue Code) shares of Common Stock of MDS be delivered in exchange for the outstanding Common Shares of, and upon the exercise of outstanding Warrants and options issued by, Atron, all as further provided herein, and

WHEREAS, the respective Boards of Directors (or Executive Committees thereof) of MDS, MDSA and Atron have approved this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein contained, and intending to be legally bound hereby, the parties hereto agree each with the other that Atron

shall be merged with and into MDSA which shall be the Surviving Corporation in accordance with the applicable provisions of the laws of the State of Delaware and the State of Minnesota and that the plan, terms and conditions of such merger, and the mode of carrying the same into effect,are and shall be as follows:

I. The Merger.

1. Effect. At the Effective Date of the merger, as defined below, Atron shall be merged with and into MDSA, on the terms and conditions hereinafter set forth, as permitted by and in accordance with the General Corporation Law of the State of Delaware and the Minnesota Business Corporation Act. Thereupon the separate existence of Atron shall cease, and MDSA, as the Surviving Corporation, shall continue to exist under and be governed by the General Corporation Law of the State of Delaware with the name "MDS-Atron, Inc.". The Surviving Corporation shall thereafter, to the extent consistent with its Certificate of Incorporation and with its By-laws, in both cases until amended in accordance with the provisions thereof and of applicable law, possess all the rights, privileges, powers and franchises, of a public as well as of a private nature, and shall be subject to all the restrictions, disabilities and duties of each of the Constituent Corporations, and all and singular the rights, privileges, powers and franchises of each of said corporations, and all property, real, personal and mixed, and all debts due to each of the Constituent Corporations on whatever account, including stock subscriptions, and all other choses in action belonging to each of such corporations shall be vested in the Surviving Corporation; and all property,

assets, rights, privileges, powers, franchises and immunities, and all and every other interest shall be thereafter as effectively the property of the Surviving Corporation as they were of the respective Constituent Corporations without further act or deed; provided, however, that all rights of creditors and of any persons dealing with the Constituent Corporations and all liens upon any property of either of said Constituent Corporations shall be preserved unimpaired by the merger, and all debts, liabilities or other obligations and duties of Atron shall thenceforth attach to MDSA, and may be enforced against it to the same extent as if said debts, liabilities, obligations and duties had been incurred or contracted by it. The parties to this Agreement shall agree upon a date on which this Agreement shall be filed with the Secretary of State of the State of Delaware and the Secretary of State of the State of Minnesota, each in the manner required by law, but such filings shall take place with reasonable promptness after the due approval of this Agreement by the respective stockholders of MDSA and Atron and the fulfillment or waiver of all the other terms and conditions contained in Articles II, III, IV and V, hereof. For the purposes of this Agreement the term "Effective Date" shall mean the later of the date of the filing of this Agreement with the Secretary of State of the State of Delaware or the issuance by the Secretary of State of the State of Minnesota of a certificate of merger.

2. Certificate of Incorporation. The Certificate of Incorporation of MDSA, as in effect on the date hereof, shall

be the Certificate of Incorporation of the Surviving Corporation from and after the Effective Date, subject always to the rights of the Surviving Corporation to amend its Certificate of Incorporation in accordance with the laws of the State of Delaware. Such Certificate of Incorporation, separate and apart from this Agreement, shall and may be separately certified as the Certificate of Incorporation of the Surviving Corporation.

3. By-laws. The By-laws of MDSA, as in effect on the date hereof, shall be the By-laws of the Surviving Corporation from and after the Effective Date until altered, amended or repealed.

4. Directors and Officers. Upon the merger becoming effective, the Directors and Officers of the Surviving Corporation shall be as follows, and they shall hold office in accordance with the By-laws:

Directors

Richard P. Rifenburgh
Richard L. Karpen
Wayne Wells
Joseph S. Stoutenburgh
Mark M. Koschmann

Officers

Chairman of the Board	Richard P. Rifenburgh
President	Joseph S. Stoutenburgh
Vice President	Mark M. Koschmann
Vice President	Dennis C. Stanga
Vice President	Herman Osofsky
Vice President	Finley E. McLeod
Vice President	Robert J. Gountanis
Treasurer	Wayne Wells
Secretary	Philip J. Ablove

5. Manner of Converting Shares. (a) At the Effective Date, each Common Share, par value 20¢ per share, of Atron then issued and

outstanding shall be exchanged and converted by the merger for and into one-fourth (1/4th) of a share of Common Stock, par value 10¢ per share, of MDS, with the result that each four (4) issued and outstanding Common Shares of Atron shall be exchanged and converted into one share of Common Stock of MDS; except that any Common Shares of Atron held by MDS on the Effective Date shall not be so exchanged and converted, but shall instead be cancelled; and provided, however, that no holder of issued and outstanding Common Shares of Atron shall be entitled to receive any certificate for a fractional share of Common Stock of MDS, but any holder of Common Shares of Atron entitled to any such fraction shall have the rights provided in subparagraph (e) below; and provided further, that no shares of Common Stock of MDS shall be issued in respect of any Common Shares of Atron the holder of which shall have filed written objection to the merger and demanded payment for his shares pursuant to Section 301.44 of the Minnesota Business Corporation Act and who has not withdrawn such objection and demand, such holders to have only the rights provided by said Section 301.44.

(b) At the Effective Date, each of the one thousand shares of Common Stock of MDSA, par value $1.00 per share, then issued and outstanding shall continue to represent the same number of shares of Common Stock, par value $1.00 per share, of the Surviving Corporation and the stated capital with which the Surviving Corporation shall begin business shall be $1,000.

(c) At the Effective Date, each qualified stock option and Warrant to purchase Common Shares, par value 20¢ per share, of Atron then issued and outstanding shall thereafter entitle the holder of such option or Warrant upon the exercise thereof to receive one-fourth (1/4th) of a share of MDS Common Stock

for each full Common Share of Atron covered thereby (with fractional shares not to be issued and any payment received on account of such fraction to be refunded) and the exercise price per share of MDS Common Stock shall be four (4) times the exercise price per Atron Common Share covered by such an option or Warrant, as the case may be, with appropriate anti-dilution adjustments in accordance with the option or Warrant agreement, as the case may be, in the event of certain corporate actions by MDS.

(d) After the Effective Date, each holder of a certificate or certificates theretofore representing outstanding Common Shares of Atron (other than MDS and other than such shareholders of Atron who shall have filed written objection to the merger and demanded payment of the value of their shares of Atron pursuant to the aforesaid Section 301.44) shall surrender the same to the Surviving Corporation or its Agent (to be designated) and shall receive in exchange therefor a certificate or certificates representing the number of whole shares of Common Stock of MDS into which such Common Shares of Atron have been converted. Until so surrendered, each outstanding certificate which, prior to the Effective Date, repr sented Common Shares of Atron (other than as described above) shall, upon and after the Effective Date, be deemed for all corporate purpos to evidence the number of whole shares of Common Stock of MDS into wh the same shall have been converted. All certificates representing Common Shares of Atron surrendered will be cancelled.

(e) No scrip or certificate representing fractional shares of Common Stock of MDS will be issued. Upon the surrender by the holder, after the Effective Date, of a certificate or certificates

theretofore issued representing outstanding Common Shares of Atron (other than certificates held by shareholders of Atron who shall have filed effective written objection to the merger and demanded payment of the value of their shares of Atron pursuant to the aforesaid Section 301.44) to the Surviving Corporation or its Agent (to be designated), MDS will pay to such holder, without interest, an amount of cash equal to the product of the per share closing price, regular way, on the New York Stock Exchange on the Effective Date (or, if no shares of MDS Common Stock are traded on that date on the Exchange, on the next preceding date on which shares of MDS Common Stock were traded) of MDS Common Stock multiplied by the fractional interest to which such holder is entitled.

II. Representations, Warranties and Agreements of Atron.

Atron represents and warrants to and agrees with MDS and MDSA as follows:

1. Atron has been duly organized and is validly existing in good standing under the laws of the State of Minnesota with all requisite power and authority (corporate and other) to own its property and conduct its business as presently being conducted; and is duly qualified to do business and in good standing in all jurisdictions in which the ownership and lease of property or the conduct of its business makes such qualification necessary. Atron has no subsidiaries.

2. The authorized capital stock of Atron consists of 5,000,000 Common Shares, par value 20¢ per share. On January 31, 1971 there were 1,088,573 shares issued and outstanding (an additional 6,500 shares being held in the treasury) and

203,089 shares reserved for issuance upon exercise of outstanding options and Warrants. All of such issued and outstanding Common Shares have been validly issued and are fully paid and non-assessable. Other than as set forth above, there are no outstanding options, warrants or agreements granting rights to purchase any Common Shares of Atron.

3. Atron has delivered to MDS (a) its Balance Sheet as at September 30, 1970, Statement of Operations and Deficit for the 12 months then ended and Statement of Source and Application of Funds for the 12 months then ended, together with a report of Hurdman and Cranstoun, Penney & Co., independent public accountants, with respect to such financial statements, and (b) its Balance Sheet as at December 31, 1970 and its Statement of Operations and Deficit for the three months then ended, prepared by Atron. Said financial statements and related notes are correct and complete in all material respects and fairly present the financial position (including all known contingent liabilities) of Atron as at the date of each Balance Sheet and the results of its operations and its source and application of funds for the respective periods covered by such Statements of Operations and Deficit and Statement of Source and Application of Funds. Such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved. Since December 31, 1970 there has been no change in the business, financial condition or results of operations of Atron except

changes in the ordinary course of business which in the aggregate have not been materially adverse or changes which are specifically permitted or required by this Agreement or to which MDS may consent in writing or changes of which Atron has in writing advised MDS prior to the execution hereof. The inventory of Atron shown on its Balance Sheet as at December 31, 1970 consisted, and any inventory acquired since December 31, 1970 will consist, of items of a quantity and quality usable and saleable in the normal course of business, and the values thereof are stated at the lower of cost or market; and the accounts receivable shown on its Balance Sheet as at December 31, 1970, after taking into account the reserves for doubtful accounts shown thereon (which are adequate on the basis of past experience), are, and those created thereafter, subject to reserves for doubtful accounts of the same order and character as shown on such Balance Sheet, will be, collectible and are and will be based on bona fide sales or leases to customers and subject, in the case of sales, to no return privileges.

4. There are no actions, suits or proceedings pending, or to the knowledge of Atron threatened, against or affecting Atron or of which any property or rights of Atron are the subject, at law or in equity, or before any governmental or administrative body or agency, which, alone or in the aggregate, materially and adversely affect or might materially and adversely affect the business, properties and rights of Atron or the ability of Atron to carry out the transactions contemplated by this Agreement. All actions, suits or proceedings pending, or to the knowledge of Atron threatened, are noted on the lists furnished pursuant to

Sections 8 and 16 of this Article II. To the best of its knowledge, Atron is not in default under any material agreement to which it is a party, except as stated in such latter list.

5. Except for immaterial amounts, Atron has no liabilities, absolute or contingent, other than those shown or reserved against on its Balance Sheet as at December 31, 1970 or contained in the agreements shown on the list furnished pursuant to Section 16 of this Article II or incurred in the ordinary course of business since December 31, 1970 or otherwise permitted or required by this Agreement or to which MDS may consent in writing, and the state and Federal income, sales and/or franchise tax liabilities of Atron as at December 31, 1970 are fully reflected on its Balance Sheet as at December 31, 1970.

6. Neither the execution and delivery of this Agreement nor the consummation of the merger herein contemplated and the fulfillment of the terms hereof will conflict with or result in a breach of any of the terms or provisions of, constitute a default under, or invalidate or give any other party any rights of cancellation or termination of, the Articles of Incorporation, as amended, or By-Laws of Atron, any note, indenture, mortgage, deed of trust, material contract, or other agreement or instrument to which Atron is a party or by which Atron is bound or any law or order, rule, regulation, writ, injunction or decree of any government, governmental instrumentality or court having jurisdiction over Atron or any of its assets or rights, or, subject to the provisions of Section 301.44 of the Minnesota Business Corporation Act, result in the creation or imposition of any lien, charge or encumbrance of any kind what-

soever on any of such assets or rights.

7. Atron has good and marketable title to all of its property, including all property and rights reflected in its Balance Sheet as at December 31, 1970 (except for property sold or disposed of in the ordinary course of business subsequent to such date) and any additional property or assets resulting from operations subsequent to such date, free and clear of any defect in title, subject to no liens or encumbrances except the lien of taxes not yet due and those reflected on said Balance Sheet; the leases of real or personal property described in the written list delivered under Section 16 of this Article II are good, valid and binding leases and, upon consummation of the merger provided for herein, will entitle MDSA to the use and possession of the real or personal property purported to be covered thereby for the terms specified in such leases for the purposes for which such real or personal property is now used by Atron; and the agreements covering equipment owned by Atron and leased to others (described in such written list) are good, valid and binding agreements and upon consummation of the merger provided for herein, will entitle MDSA to the rentals provided for therein.

8. Atron has delivered to MDS, signed by Atron's President, a true, correct and complete schedule, or schedules, and brief description of all patents, patent applications, copyrights, trademarks and trade names owned by or registered in the name of Atron, and all patent license agreements to which Atron is a party. Except as otherwise set forth in such schedule or schedules, Atron possesses all right, title and interest in and to all the patents, patent applications, copyrights, trademarks and trade names described or referred to therein and, to the best of its knowledge, the right to use all formulae,

trade secrets, inventions, and results of research and development work which are used by it in the conduct of its business. Atron is not in default in the performance of any covenant or condition of any agreement, license, franchise, or other contract or commitment related to any patent, patent application, trade secret or invention pursuant to which it possesses any such right, title or interest and there exists no event, circumstance or condition which, with notice or lapse of time, or both, would constitute such a default. All such agreements, licenses, franchises or other contracts or commitments, or assignments of any patents pursuant to which Atron possesses any such right, title or interest are in full force and effect and are legally valid and binding upon and are enforceable by the parties thereto in accordance with their respective terms.

9. To the best of Atron's knowledge, except as set forth on the list delivered under Section 8 of this Article II, none of the material patents, patent applications, copyright, trademarks, trade names, formulae, licenses or inventions of Atron are being contested, and no trademarks, trade names, copyrights or patents owned or used, or licenses held, by others materially adversely interfere with the business and operations of Atron as presently being conducted or as presently contemplated to be conducted.

10. Since December 31, 1970 Atron has not, except as otherwise specifically permitted or required by this Agreement, without the written consent of MDS:

(A) incurred any material and substantial obligation or liability, absolute or contingent, except current liabilities incurred and obligations under purchase and sales contracts entered into in the ordinary course of business;

(B) discharged or satisfied any lien or encumbrance or paid any obligation or liability, absolute or contingent, other than current liabilities shown on its Balance Sheet as at December 31, 1970 and current liabilities incurred since such date in the ordinary course of business;

(C) entered into any contracts outside the ordinary course of its business;

(D) disposed of all or any material portion of its assets or business other than in the ordinary course of business;

(E) authorized or made any distribution to the holders of Atron's Common Shares of any assets by way of dividends or otherwise;

(F) issued, sold or otherwise disposed of any additional Common Shares or other securities or options to purchase the same, other than the issuance of Common Shares upon exercise of outstanding qualified employee stock options and outstanding Warrants; or

(G) increased the salaries of any of its officers or entered into an employment contract with anyone.

11. To the best of its knowledge Atron has complied

with all laws, regulations and ordinances applicable to its business.

12. Atron will use its best efforts through the Closing Date hereunder to keep the business organization of Atron intact, to make available to MDS and MDSA the services of present officers and employees thereof, and to preserve for MDS and MDSA relationships with customers, suppliers and others having business relations with Atron.

13. Atron has not purchased or disposed of or agreed to purchase or dispose of since December 31, 1970 and will not purchase or dispose of or agree to purchase or dispose of any shares of Common Stock of MDS, or any puts, calls, spreads, straddles strips, straps or options with respect thereto prior to the Closing Date or the abandonment of the merger contemplated hereby.

14. Atron has not retained any broker or agent with respect to the merger contemplated hereby and has dealt with no one purporting to act in such capacity.

15. This Agreement has been duly authorized by the Board of Directors of Atron and duly executed by a majority of its directors.

16. Atron does not have, and will not have at the Closing Date, any employment contracts, pension, bonus or group insurance plans, profit sharing plans or arrangements, or stock repurchase agreements, other than those disclosed on a written list thereof, signed by Atron's President, heretofore delivered to MDS. Such list shall also include all manufacturing,

agency, service or maintenance contracts, leases of real or personal property, and material contracts not made in the ordinary course of business and involving in excess of $25,000, to which Atron was a party on January 31, 1971; and Atron shall not have entered, and will not enter, into any such contracts or leases after January 31, 1971.

17. Atron will not take any action which would result in any of the foregoing representations and warranties being untrue at any time between the date hereof and the Closing Date.

18. Atron will supply MDS with whatever information MDS requests which is necessary to comply with the Federal Securities Laws, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder, State securities ("Blue Sky") laws and regulations promulgated thereunder and the rules and regulations of the New York Stock Exchange with respect to the listing on said Exchange of the shares of Common Stock of MDS to be issued in connection with the transactions contemplated by this Agreement; and such information will in all respects be true, correct and complete.

19. Atron will at all times prior to the Closing Date, or the abandonment of this Agreement as hereinafter provided, open its plants, offices, warehouses, books, accounts and records for full and unrestricted examination and inspection by MDS, its officers, employees, counsel, engineers, accountants and agents. Any information or other data obtained as a result of such examination and inspection shall be deemed proprietary and shall be confidential and shall not be disclosed by MDS or any of its

representatives to anyone for a period of three years from the date hereof unless the transactions contemplated hereby shall be consummated; provided that the disclosure restrictions herein contained shall not alter in any way the effect of any data disclosure or use provisions contained in any previous agreements between MDS and Atron or apply to any data or information which is in the public domain or which has been or is in the future disclosed by Atron to third parties without restriction.

20. Atron will cause a special meeting of its shareholders to be called and held as soon as practicable, but in any event on or prior to May 15, 1971, will duly submit this Agreement to its shareholders for adoption and approval, will solicit their proxies in favor thereof by means of a proxy statement and other soliciting material meeting the requirements of the Securities Exchange Act of 1934, as amended, and will recommend that its shareholders authorize, approve and adopt this Agreement. Atron will promptly notify MDS of the actions taken by its shareholders at such meeting, and will certify to MDS the name and address and the number of Common Shares held by each shareholder of Atron who shall have filed effective written objection to the merger and demanded payment of the value of his Common Shares and who shall not have voted for the approval and adoption of the merger.

21. Atron will carry out all agreements made by it herein and will use its best efforts to cause all conditions precedent to the obligations of MDS as hereinafter set forth to be satisfied on or prior to the Closing Date.

22. Atron has delivered to MDS a schedule showing ownership of securities of Atron by each director and officer of Atron, by members of their immediate families, by "associates"

(as that term is defined by the General Rules and Regulations promulgated under the Securities Exchange Act of 1934, as amended) of Atron directors and officers, and by any other person who, to the knowledge of Atron or any of its directors or officers, owns beneficially 5% or more of the issued and outstanding Common Shares of Atron or who may be considered directly or indirectly to control or be controlled by or under common control with Atron.

III. Representations, Warranties and Agreements of MDS. MDS represents and warrants to and agrees with Atron as follows:

1. MDS is, and as of the Effective Date will be, a corporation duly organized and validly existing in good standing under the laws of the State of New York with all requisite power and authority (corporate and other) to own its property and conduct its business as presently being conducted.

2. The authorized capital stock of MDS consists of 1,000,000 shares of Preferred Stock, none of which has been issued, and 15,000,000 shares of Common Stock, par value 10¢ per share, of which, at January 31, 1971, 5,483,962 shares were issued and outstanding, 550,325 shares were reserved for issuance under MDS' Stock Purchase and Stock Option Plans, and 533,805 shares were reserved for issuance upon conversion of the convertible debt securities of MDS and an international finance subsidiary. All of the issued and outstanding shares of Common Stock of MDS are, and all shares issued to the shareholders of Atron pursuant to the merger contemplated by this Agreement will be, validly issued, fully paid and non-assessable.

3. MDS has delivered to Atron (a) its consolidated balance sheet as at July 31, 1970, consolidated statements of income and capital in excess of par value and retained earnings for the year then ended and consolidated statement of funds for

the year then ended, together with a report of S. D. Leidesdorf & Co., independent public accountants, with respect to such financial statements, and (b) its consolidated balance sheet as at October 31, 1970 and consolidated statements of income and capital in excess of par value and retained earnings for the three months then ended, prepared by MDS. Said financial statements and related notes are correct and complete in all material respects and fairly present the financial position (including all known contingent liabilities) of MDS and its subsidiaries as at the date of each balance sheet and the results of its operations and its use of funds for the respective periods covered by such financial statements. Such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved. Since October 31, 1970 there has been no change in the business, financial condition or results of operations of MDS except changes in the ordinary course of business which in the aggregate have not been materially adverse or changes which are specifically permitted or required by this Agreement or to which Atron may consent in writing or changes of which MDS has advised Atron in writing prior to the execution hereof.

4. The Common Stock of MDS is listed on the New York Stock Exchange and MDS will use its best efforts to obtain at its expense listing, on or before the Effective Date, of the shares of MDS Common Stock to be issued in connection with the transactions contemplated by this Agreement.

Plaintiffs' Exhibit 15

5. MDS will, as the sole stockholder of MDSA, authorize and adopt this Agreement by its written consent, in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware and Section 301.42 of the Minnesota Business Corporation Act.

6. MDS will issue and deliver all shares of MDS Common Stock into which the Common Shares of Atron are to be converted on the Effective Date and will reserve for issuance and will, upon the exercise of outstanding Warrants and options to purchase Common Shares of Atron, issue and deliver the additional shares of MDS Common Stock to be issued in connection with transactions contemplated by this Agreement.

IV. Representations, Warranties and Agreements of MDSA. MDSA represents and warrants to and agrees with Atron as follows:

1. MDSA is, and at all times prior to the Effective Date will be, a corporation duly organized and validly existing in good standing under the laws of the State of Delaware.

2. The authorized capital stock of MDSA consists of 1,000 shares of Common Stock having a par value of $1.00 per share, all of which shares are issued and outstanding and owned by MDS. All of the issued and outstanding shares of Common Stock of MDSA have been validly issued and are fully paid and non-assessable.

3. This Agreement has been duly authorized by the Board of Directors of MDSA.

MDSA will not have, prior to the consummation of the merger, any commitments or liabilities except those incurred by it in connection with the transactions contemplated hereby.

5. MDSA agrees that it may be served with process in the State of Minnesota in any proceeding for enforcement of any obligation of Atron, as well as for enforcement of any obligation resulting from the provisions of Section 301.44, of the Minnesota Statutes. MDSA hereby irrevocably appoints the Secretary of State of the State of Minnesota as its agent to accept service of process in any such suit or other proceeding. MDSA agrees that a copy of such process shall be mailed by the Secretary of State to MDSA at Palisade Street, Herkimer, New York 13350. MDSA agrees that in any such suit or proceeding service of process upon MDSA may be made in any one of the manners set forth in Section 303.13 of the Minnesota Statutes.

V. The Closing and Conditions Precedent Thereto. The closing under this agreement (the "Closing") shall be held at the offices of Messrs. Beekman & Bogue, Five Hanover Square, New York, N. Y. at 11:00 A. M., New York time, on the third business day after the later of (i) the Atron shareholders' meeting referred to in Article II hereof, and (ii) the receipt by Atron of the ruling of the Internal Revenue Service or the legal opinion referred to in Section 1(d) of this Article V, or at such other time and place as the parties hereto shall agree (the "Closing Date").

1. As hereinafter provided, the obligations of MDS, MDSA and Atron to consummate the transactions contemplated by this Agreement shall be subject to the following conditions

precedent:

(a) All transactions contemplated hereby which are legally required to be approved by the stockholders of the Constituent Corporations shall have been approved by the respective requisite statutory action of such stockholders.

(b) The number of Common Shares of Atron held by all shareholders who shall have filed written objections to the merger and demanded payment for their shares pursuant to Section 301.44 of the Minnesota Business Corporation Act and who did not vote in favor of the merger shall not exceed 10% of the aggregate number of Atron's outstanding Common Shares; provided, however, that MDS and MDSA shall have the right, but shall not be obligated, to proceed with the Closing and the consummation of the merger contemplated hereby even though such number of Common Shares does in fact exceed 10% of the aggregate number of Atron's outstanding Common Shares.

(c) The shares of Common Stock of MDS to be issued in connection with the transactions contemplated by this Agreement shall have been listed on the New York Stock Exchange subject to official notice of issuance.

(d) Atron shall have received a ruling of the Internal Revenue Service to the effect that no gain or loss shall be recognized by Atron as a result of the merger, and as to Atron shareholders, (i) the consummation of the merger provided for herein will result in neither gain nor loss for Federal income tax purposes to the shareholders of Atron, except in connection with any moneys received in lieu of fractional interests; (ii) the basis of the Common Stock of MDS received by Atrons's shareholders will be the same

as the basis of Atron shares converted, except that where cash is received in lieu of fractional shares, such basis will be reduced by the excess of the cash received over the taxable gain; and (iii) the holding period for the Common Stock of MDS received by the shareholders of Atron will include the holding period of the Atron shares converted, provided that the shares surrendered constituted a capital asset in the hands of the Atron shareholders; or, in the event that no such ruling shall have been issued by the time of completion of Atron's shareholders' meeting but Messrs. Dorsey, Marquart, Windhorst, West & Halladay shall have received reasonable assurance from the staff of the Internal Revenue Service that a favorable ruling will issue in due course, an opinion of such counsel to the foregoing effect. It is agreed that such opinion will be rendered promptly upon receipt of such assurances.

(e) No injunction, order or decree issued by a court or administrative agency of competent jurisdiction shall be in effect restraining the consummation of the merger contemplated hereby.

(f) All corporate proceedings and other legal matters relating to this Agreement, and all other transactions in connection therewith shall be satisfactory to Messrs. Beekman & Bogue, counsel for MDS, and Atron shall have furnished such counsel such documents as they may have reasonably requested for the purpose of enabling them to pass upon such matters.

(g) The representations and warranties made by Atron in this Agreement shall be true as of the Closing Date with the same effect as if made on and as of the Closing Date and all agreements herein contained on the part of Atron to be performed on or prior to the Closing Date shall have been duly performed; and MDS shall have received a certificate signed by the President of Atron to such effect.

(h) MDS shall have received the written opinion of Messrs. Dorsey, Marquart, Windhorst, West & Halladay, counsel to Atron, dated the Closing Date, in form and substance satisfactory to Messrs. Beekman & Bogue, to the effect that: Atron has been duly incorporated and is then validly existing as a corporation under the laws of the State of Minnesota with a capitalization as represented in this Agreement and is duly authorized to own the property owned by it and carry on the business presently carried on by it; Atron has no subsidiaries; Atron is duly qualified to do business and is in good standing in all jurisdictions in which the ownership or lease of property or the conduct of its business makes such qualification necessary; the Common Shares of Atron have been duly and validly authorized by all necessary corporate action, and the outstanding Common Shares have been validly issued and are fully paid and non-assessable, and no personal liability attaches to the ownership thereof; all necessary action has been taken for the due authorization of the execution and performance by Atron of this Agreement, including the due authorization of this Agree-

ment by the Board of Directors and Shareholders of Atron, all in accordance with the provisions of Section 301.42 of the Minnesota Business Corporation Act; the leases of real and personal property described in the written list delivered under Section 16 of Article II hereof are good, valid and binding leases and upon the consummation of the merger will entitle MDSA to the use and possession of the real and personal property purported to be covered thereby for the terms specified in such leases for the purposes for which such real and personal property is used by Atron, and to the rentals payable to Atron for the equipment owned by it and leased to others; and the filing with the Secretary of State of the State of Delaware of this Agreement under Section 252 of the General Corporation Law of the State of Delaware and the issuance of a Certificate of Merger by the Secretary of State of the State of Minnesota following the filing of this Agreement in his office as contemplated by this Agreement, will be sufficient to vest in MDSA on the Effective Date all such right, title and interest in and to all the property, real, personal and mixed, of [illegible] Atron (including privileges, franchises, contracts, [illegible] choses in action, leases, agreements, claims, demands and good will) as were vested in Atron immediately prior to the issuance of such Certificate; the consummation of the merger herein contemplated and the fulfillment of the terms hereof will not conflict with or result in a breach of any of the terms and provisions of, constitute a default under, or invalidate or give any other party any right of cancellation or termination of, the Articles of Incorporation or the By-Laws of Atron, any note, indenture, mortgage, deed of trust, patent license agreement,

royalty contract, patent, assignment of any patent or patent application, or other agreement or instrument to which Atron is a party or by which Atron is bound or, to the best of the knowledge of such counsel, of any law, rule, regulation, writ, injunction or decree of any government, governmental instrumentality or court having jurisdiction over Atron or over any of its property, and, subject to Section 301.44 of the Minnesota Business Corporation Act, result in the creation or imposition of any lien, charge or encumbrance of any kind whatsoever on any of such assets or rights.

In rendering such opinion, Messrs. Dorsey, Marquart, Windhorst, West & Halladay may rely as to all matters of fact upon the representations and warranties contained herein and upon certificates and statements of officers and responsible employees of and accountants for Atron and MDS; in connection with the qualification of Atron to do business in jurisdictions other than the State of Minnesota and its good standing therein, such counsel may rely upon opinions rendered by local counsel satisfactory to MDS provided signed copies thereof shall be furnished to MDS on the Closing Date, or upon certificates issued by proper officials.

(i) All corporate proceedings and other legal matters relating to this Agreement, and all other transactions in connection therewith shall be satisfactory to Messrs. Dorsey, Marquart, Windhorst, West & Halladay, counsel for Atron, and MDS and MDSA shall have furnished such counsel such documents as they may have reasonably requested for the purpose of enabling them to pass upon such matters.

(J) The representations and warranties of MDS and MDSA shall be true as of the Closing Date with the same effect as if made on and as of the Closing Date and all agreements herein contained on the part of MDS and MDSA to be performed on or prior to the Closing Date shall have been duly performed; and Atron shall have received a certificate to such effect signed by the Presidents of MDS and MDSA.

(K) Atron shall have received the written opinion of Messrs. Beekman & Bogue, dated the Closing Date, in form and substance satisfactory to Messrs. Dorsey, Marquart, Windhorst, West & Halladay, to the effect that: MDS and MLSA have been duly incorporated and are then validly existing as corporations in good standing under the laws of the States of New York and Delaware, respectively, with an authorized capitalization as represented in this Agreement; MDS and MDSA have power and authority to own the property owned by them and to carry on the business presently carried on by them and by Atron; all necessary action has been taken for the due authorization of the execution and performance by MDS and MDSA of this Agreement, including the due authorization and approval of this Agreement by the Board of Directors of MDS and MDSA, the due authorization and adoption of this Agreement by the sole stockholder of MDSA in accordance with the provisions of Section 252 of the General Corporation Law of the State of Delaware and the due authorization and reservation of the shares of Common Stock of MDS issuable upon the exercise of the outstanding options and Warrants of Atron; the shares of Common Stock of MDS into which

the outstanding Common Shares of Atron are to be converted pursuant to this Agreement, and which are to be issued pursuant to this Agreement upon the exercise of the aforementioned option and Warrants will be duly issued, fully paid and non-assessable, and no personal liability will attached to the ownership thereof; and the shares of Common Stock of MDS to be issued pursuant to this Agreement have been listed on the New York Stock Exchange subject to official notice of issuance.

In rendering such opinion, Messrs. Beekman & Bogue may rely as to all matters of fact upon the representations and warranties contained herein and upon certificates and statements of officers and responsible employees of and accountants for MDS, MDSA and Atron.

(l) MDS shall have received commitments and undertakings, in form and substance satisfactory to MDS, of each of the following shareholders of Atron:

Robert J. Gountanis

Robert J. Gountanis and
Eva Nancy Gountanis JT Ten

Mark M. Koschmann and
Dorothy L. Koschmann JT Ten

Finley E. McLeod

Finley E. McLeod and
Ruth E. McLeod JT Ten

Herman Osofsky and
Audrey J. Osofsky JT Ten

Dennis C. Stanga and
Marlene B. Stanga JT Ten

Joseph S. Stoutenburgh

and of any other person who might, in the opinion of counsel for MDS, be considered an "underwriter" within the meaning of Rule 133 of the General Rules and Regulations under the Securities Act of 1933, as amended (the "Securities Act"), to the effect that the Common Stock of MDS received by such person in connection with the merger will not be sold, distributed or otherwise disposed of in violation of the Securities Act and the rules and regulations thereunder (it being understood that such shares may be disposed of in accordance with the provisions of paragraphs (d) and (e) of Rule 133 under the Securities Act); and certificates representing such shares of Common Stock of MDS subject to such commitments and undertakings shall bear a legend to such effect, and appropriate stop transfer orders shall be lodged with the transfer agents for the Common Stock of MDS; provided, that after the Effective Date, MDS shall issue certificates which do not contain such a legend and remove such stop transfer orders (i) in connection with any disposition of shares in accordance with the provisions of paragraphs (d) and (e) of Rule 133 under the Securities Act, provided MDS shall have received representations satisfactory to its counsel that such provisions have been or will be complied with in connection with such disposition, (ii) on and after such date as restrictions upon the sale, distribution or other disposition of such shares represented thereby, either in the opinion of counsel for MDS or pursuant to a "no-action" letter which may be issued by the Securities and Exchange Commission with respect thereto, are no longer required under

the Securities Act, or (iii) in connection with any transaction in which any such shares are sold, distributed or otherwise disposed of pursuant to and in accordance with a registration statement which has become and is effective under the Securities Act (but MDS shall not be obligated to file any such registration statement).

The conditions set forth in paragraphs (b), (f) through (h) and (l) above shall be conditions precedent to MDS's and MDSA's obligations under Section 2 of this Article V; the conditions set forth in paragraphs (d), (i), (j) and (k) above shall be conditions precedent to Atron's obligations under said Section; and the conditions set forth in paragraphs (a), (c) and (e) shall be conditions precedent to the obligations of all parties. All conditions other than (a), (c), (d) and (e) may be waived by the party to whose obligations it is a condition.

2. At the Closing, the documents referred to in Section 1 of this Article V will be delivered and the other matters referred to therein carried out. Upon completion of such action, this Agreement, duly authenticated, subscribed and sworn to, will be submitted to the Secretaries of State of the States of Delaware and Minnesota for filing and recording and for the issuance by the Secretary of State of the State of Minnesota of a Certificate of Merger with respect thereto, all as set forth in Article 1 of this Agreement.

3. It is understood that delivery of certificates representing Common Shares of Atron will not constitute a good delivery on the New York Stock Exchange of shares of Common Stock of MDS and that, in order to make good delivery of the MDS

stock into which the Atron stock has been converted pursuant to this Agreement, it will be necessary for former holders of Atron stock to exchange their Atron certificates for MDS Common Stock certificates.

4. MDS will deliver at the Closing one or more instruments in form satisfactory to counsel for Atron with respect to the issuance by MDS of shares of its Common Stock to employees of Atron holding qualified stock options covering 33,089 Common Shares of Atron and to holders of Warrants of Atron covering an aggregate of 170,000 Common Shares of Atron, so that each holder of any such option or Warrant upon the exercise thereof will receive one-fourth (1/4th) of a share of MDS Common Stock for each full Common Share of Atron covered thereby (with fractional shares not to be issued and any payment received on account of such fraction to be refunded); such instruments will provide for an exercise price per share of MDS Common Stock which shall be four times the exercise price per Atron Common Share contained in the options or warrants, as the case may be, and will include provisions that appropriate anti-dilution adjustments will be made in accordance with the option agreements or Warrants, as the case may be, in the event of certain corporate actions by MDS.

VI. After the Closing. Immediately after the Closing under this Agreement hereinabove provided for, Atron will give irrevocable instructions to the transfer agents for its Common Shares with respect to the permanent closing of the stock transfer books and records relating to such Common Shares in accordance with the provisions of this Agreement.

Plaintiffs' Exhibit 15

VII. Abandonment of Agreement.

1. MDS or Atron may elect to terminate this Agreement and abandon the merger if subsequent to the date of this Agreement and prior to the Closing (a) the other party shall suffer any loss by fire, flood, tornado, riot, accident or other calamity, whether or not insured, which shall substantially and adversely affect the value of its assets or business or (b) any representation or warranty made by the other party shall prove substantially untrue.

2. The party electing to terminate this Agreement and abandon the merger shall give written notice to the other party to that effect and thereupon all obligations hereunder shall cease and in that event each party shall bear the legal, accounting and other charges and expenses incurred by it.

3. This Agreement shall terminate absolutely and the merger shall be abandoned if and when (i) it is determined that any one or more of the conditions precedent set forth in Article V hereof cannot or will not be complied with for any reason other than a default by one of the parties hereto, and (ii) the party to whose obligations such condition or conditions is a condition precedent does not waive such condition or conditions; or (iii) in any event if the Closing does not take place by July 31, 1971, or any later date as to which the parties hereto may agree; and thereupon all obligations hereunder shall cease and each party shall bear the legal, accounting and other charges and expenses incurred by it.

Plaintiffs' Exhibit 15

4. No provision of this Article VII shall affect the rights of any party hereto to enforce any claim or remedy against a party which shall have defaulted in the performance of its obligations hereunder.

VIII. Notices. All notices under this Agreement shall be in writing, and if to MDS or MDSA shall be sufficient in all respects if delivered in person or sent by mail to MDS at Palisade Street, Herkimer, New York 13350, with a copy to MDS at 20 E. 46th Street, New York, New York 10017 and to Messrs. Beekman & Bogue, Five Hanover Square, New York, New York 10004, and if to Atron shall be sufficient in all respects if delivered in person or sent by mail to Atron at 1256 Trapp Road, St. Paul, Minnesota 55121, with a copy to Messrs. Dorsey, Marquart, Windhorst, West & Halladay, 2400 First National Bank Building, Minneapolis, Minnesota 55402.

IX. Law Governing. Except in instances where the Minnesota Business Corporation Act and/or the General Corporation Law of the State of Delaware are applicable, this Agreement shall be governed by and construed in accordance with the laws of the State of New York as if there were no material contacts with any jurisdiction outside New York.

Plaintiffs' Exhibit 15

X. Entirety of Agreement. This Agreement may not be altered, amended or modified except by an instrument in writing executed by the parties hereto concurrently herewith or subsequent hereto. It includes all representations of every kind or nature made by each party to the other parties.

IN WITNESS WHEREOF, this Agreement and Plan of Merger has been duly executed by MOHAWK DATA SCIENCES CORP. and by MDS-ATRON, INC., by a majority of the Directors of MDS-ATRON, INC. and by a majority of the Directors of ATRON CORPORATION as of the day and year first above written.

MOHAWK DATA SCIENCES CORP.

[Seal]

By _____
President

ATTEST:

_____
Secretary

MDS-ATRON, INC.

[Seal]

By _____
President

ATTEST:

_____
Secretary

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Plaintiffs' Exhibit 15

A Majority of the Directors of MDS-ATRON, INC.

Chairman of the Board

[SEAL]

ATTEST:

Secretary

A Majority of the Directors of ATRON CORPORATION

ATTEST:

Secretary

CERTIFICATE

MDS-ATRON, INC.

The undersigned does hereby certify that he is the duly elected, qualified and acting Secretary of MDS-Atron, Inc., a Delaware corporation, and the undersigned does further certify as follows:

The foregoing Agreement and Plan of Merger dated as of March 12, 1971 among Mohawk Data Sciences Corp., MDS-Atron, Inc. and Atron Corporation was duly adopted by the written consent of the sole stockholder of MDS-Atron, Inc., given on April 21, 1971, in accordance with the provisions of Section 228 of the General Corporation Law of the State of Delaware.

Dated: April 30, 1971.

Philip J. Allaire
Secretary of MDS-Atron, Inc.

Plaintiffs' Exhibit 15

CERTIFICATE

ATRON CORPORATION

The undersigned does hereby certify that he is the duly elected, qualified and acting Assistant Secretary of Atron Corporation, a Minnesota corporation, and the undersigned does further certify as follows:

The foregoing Agreement and Plan of Merger dated as of March 12, 1971 was duly submitted for consideration to the shareholders of Atron Corporation at a meeting thereof duly called and held on April 30, 1971. Notice of the time, place and object of said meeting was mailed at least two weeks before the meeting to each shareholder of record. At said meeting the Agreement and Plan of Merger was adopted by the vote of shareholders holding at least two-thirds of the outstanding Common Shares of Atron Corporation.

Dated: April 30, 1971

Dennis C. Stanga

Assistant Secretary of
Atron Corporation

Plaintiffs' Exhibit 15

The foregoing Agreement and Plan of Merger having been duly executed by Mohawk Data Sciences Corp. and by MDS-Atron, Inc., by a majority of the directors of MDS-Atron, Inc. and by a majority of the directors of Atron Corporation, and having been duly authorized and adopted by the shareholders of MDS-Atron, Inc. and Atron Corporation, and the fact of such authorizations and adoptions having been duly certified on said Agreement and Plan of Merger by the respective Secretaries or Assistant Secretaries of said corporations, said Agreement and Plan of Merger is hereby duly executed on behalf of MDS-Atron, Inc. and signed by the President and Secretary or the Assistant Secretary of MDS-Atron, Inc. and Atron Corporation, and the respective seals of said corporations hereto affixed, all on this 30TH day of April, 1971.

(Corporate Seal)

ATTEST:

Secretary of
MDS-Atron, Inc.

President of MDS-Atron, Inc.

Secretary of MDS-Atron, Inc.

President of Atron Corporation

(Corporate Seal)

Assistant Secretary of Atron Corporation

Plaintiffs' Exhibit 15

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

On this 30th day of April, 1971, before me, a Notary Public within and for said County, personally appeared Richard P. Rifenburgh and Philip J. Ablove to me personally known, who, being each by me duly sworn on oath did say that they are respectively the President and the Secretary of MDS-Atron, Inc., the corporation named in the foregoing instrument, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its stockholder and said Richard P. Rifenburgh and Philip J. Ablove acknowledged said instrument to be the free act and deed of said corporation and that the facts stated therein are true.

(Notarial Seal)

John C. Walters
Notary Public

JOHN C. WALTERS
Notary Public, State of New York
No. 30-4148180
Qualified in Nassau County
Certificate filed in New York County
Term Expires March 30, 1973

STATE OF MINNESOTA }
COUNTY OF Hennepin } ss.:

On this 30th day of April, 1971, before me, a Notary Public within and for said County, personally appeared Joseph S. Stoutenburgh and Dennis C. Stanga to me personally known, who, being each by me duly sworn on oath did say that they are respectively the President and the Assistant Secretary of Atron Corporation, the corporation named in the foregoing instrument, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its shareholders and said Joseph S. Stoutenburgh and Dennis C. Stanga acknowledged said instrument to be the free act and deed of said corporation.

Thomas M. Brown
Notary Public

(Notarial Seal)

THOMAS M. BROWN
Notary Public, Hennepin County, Minn.
My Commission Expires Feb. 20, 1976.

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Minutes of a Regular Meeting
of the
Board of Directors
of

MOHAWK DATA SCIENCES CORP.

Held March 2, 1971

A Regular Meeting of the Board of Directors was held at Kings Inn, Freeport, Grand Bahamas, on March 2, 1971, at 10:00 A.M.

There were present:

Messrs. V. E. Johnson
R. P. Rifenburgh
Wayne Wells
Richard L. Karpen
Robert Groben
Paul R. Judy
Lorne H. King
Herbert Roth, Jr.
Patrick B. Smith
Otto Stitz

constituting a majority of the Directors and a quorum.

Mr. Philip J. Ablove, Secretary of the Company, and Mr. Daniel C. A. van der Plassche, the Company's Product Line Manager for the System 2400 and General Manager of the Company's Belgian subsidiary, attended the meeting by invitation.

Mr. Johnson, Chairman of the Board, presided, and Mr. Ablove kept the record of the meeting. Mr. Ablove stated that he had duly mailed the Notice of Meeting to all Directors.

The minutes of the Organization Meeting of the Board held on November 17, 1970 were approved as distributed.

Plaintiffs' Exhibit 16

The Chairman recited that the first matter to come before the meeting was a report from the President. Mr. Rifenburgh then initiated a discussion of corporate events which had occurred since the last meeting, including the introduction of the Company's System 2400 on February 24, 1971, and the signing of new credit agreements in the aggregate amount of $50,000,000. He stated that Mr. Wells would elaborate on the new agreements later in the meeting.

Mr. Rifenburgh then reported on activities of the Company's Federal Marketing Group and summarized a report prepared by Robert Pearson, Vice President of Federal Systems Marketing. It was noted that the Company had recently contracted to supply peripheral equipment for the Department of Defense's world-wide communications network (commonly known as Autodin) in the aggregate amount of $2.4 millio with deliveries commencing in the fall of 1971.

Mr. Rifenburgh next analyzed changes made in the Company's marketing organization necessitated by the greater degree of sophistication and support required to market the System 2400.

Mr. Rifenburgh reported to the Board that at a meeting of the Executiv Committee of the Board held on January 6, 1971, John J. Egan, Jr. had been appointed Vice President of End User Marketing; such appointment was confirmed and ratified by the Board and, upon motion duly made, seconded and unanimously carried, it was

> RESOLVED, that the action taken by the Executive Committee of the Board of Directors on January 6, 1971 in appointing JOHN J. EGAN, JR. Vice President of End User Marketing is hereby confirmed and ratified.

Mr. Rifenburgh also noted that John McManus had been appointed as National Sales Manager and would be in charge of the MDS Special Products Group to market specified Company products.

Plaintiffs' Exhibit 16

Mr. Wells distributed a draft of the Quarterly Report for the Second Quarter ending January 31, 1971 and reported on the Second Quarter results.

Mr. Wells then reported on the signing of the new Credit Agreements on February 26, 1971, pursuant to authorization of the Board and of the Executive Committee. The Company on that date entered into a Domestic Credit Agreement with six banks providing for the borrowing of up to $27,000,000 over a period of three years. Simultaneously, the Company entered into a Multi-Currency Credit Agreement with five banks providing for borrowings in Europe in both local currencies and Eurodollars of up to $23,000,000, which would be available for five years. It was noted that both Agreements provided the Company with flexibility in meeting its anticipated financing requirements. Mr. Wells noted that The Chase Manhattan Bank had replaced Chemical Bank as a participant in the Credit Agreements and that Marine Midland Bank-Western remains the lead Bank on the 1970 Domestic Credit Agreement, while The First National Bank of Chicago will act as Agent under the Multi-Currency Credit Agreement.

Mr. Rifenburgh then initiated a discussion of the possible impact of the System 2400 on the Company's financial requirements. In this regard, Mr. Wells distributed a report on medium term financing alternatives for the Company prepared by A. G. Becker & Co. Incorporated. He and Mr. Judy commented thereon. Mr. Rifenburgh reported on the increased space required by the Company to manufacture the System 2400.

Mr. Wells then mentioned the possibility of a change in the Company's fiscal year from July 31 and a general discussion followed.

Plaintiffs' Exhibit 16

It was noted that it would be advisable to elect John C. Walters as Assistant Secretary to facilitate the expeditious handling of certain administrative matters, and upon motion duly made, seconded and unanimously carried, it was

> RESOLVED, that JOHN C. WALTERS is hereby elected an Assistant Secretary of the Company to serve at the pleasure of the Board.

Mr. Ablove reported on action taken at various meetings of the Executive Committee and Stock Option Committee held since the last meeting of the Board.

It was noted that options granted under the 1970 Stock Option Plan would become exercisable after July 9, 1971 and that it would be necessary to list the shares issuable upon such exercise on the New York Stock Exchange. Thereupon, upon motion duly made, seconded and unanimously carried, it was

> RESOLVED, that application be made to the New York Stock Exchange for the listing of an aggregate of 400,000 shares of Common Stock, par value 10¢ per share, of this Corporation, issuable in connection with this Corporation's 1970 Stock Option Plan, and that Wayne Wells, Executive Vice President and Treasurer, and Philip J. Ablove, Secretary, of this Corporation, be authorized by this Corporation to sign said application, to make any changes therein, or in any documents and agreements relative thereto, as may be necessary to conform with requirements for listing, and to appear (if requested) before officials of such Exchange.

The next matter to come before the meeting was a discussion of the proposed merger with Atron Corporation. Mr. Wells distributed a proof of the preliminary proxy material which was expected to be filed with the Securities and Exchange Commission tha week, as well as a draft of the proposed Agreement and Plan of Merger providing for the merger of Atron Corporation into a newly organized subsidiary of the Company. Mr. Wells then discussed the circumstances surrounding the proposed merger and, together with Mr. Rifenburgh, outlined the benefits to be derived by the Company from such merger. A general discussion then ensued.

It was then noted that it would be necessary to adopt various resolutions with respect to the merger, including approval of the relevant merger documents, the

Plaintiffs' Exhibit 16

required authorizations to the Company's Transfer Agent and Registrar and the listing of additional shares of the Company's Common Stock on the New York Stock Exchange. Upon motion duly made, seconded and unanimously carried, the following resolutions were adopted:

RESOLVED, that the proposed Agreement and Plan of Merger between this Corporation, MDS-Atron, Inc. and Atron Corporation (the "Agreement of Merger"), providing for the merger of Atron Corporation into MDS-Atron, Inc., in the form presented to this meeting, be, and the same hereby is, in all respects, approved; and further

RESOLVED, that the President or any Vice President of this Corporation be, and he hereby is, in the name and on behalf of this Corporation, authorized to execute and deliver the Agreement of Merger in the form presented to this meeting, with such changes therein as such officer executing the same shall deem necessary or appropriate, upon the advice of counsel; and further

RESOLVED, that the President or any Vice President of this Corporation be, and he hereby is, in the name and on behalf of this Corporation, authorized to execute a Consent to Corporate Action as the sole stockholder of MDS-Atron, Inc., adopting the Agreement of Merger on behalf of MDS-Atron, Inc. ; and further

RESOLVED, that subject to the approval of the Agreement of Merger by the holders of Common Shares of Atron Corporation in the manner contemplated thereby, this Corporation issue such number of shares of its Common Stock (not to exceed a maximum of 274,165 shares) as may be required to be issued upon consummation of the merger contemplated by the Agreement of Merger; and further

RESOLVED, that upon the issuance of the abovementioned shares as contemplated by the Agreement of Merger, such shares shall be fully paid and non-assessable with no personal liability attaching to the ownership thereof, except insofar as liability may be imposed under Section 630 of the Business Corporation Law of the State of New York; and further

RESOLVED, that Marine Midland Bank-New York and Chemical Bank be, and they hereby are, authorized and directed to countersign for original issue and register certificates for the shares of Common Stock of this Corporation required to be issued pursuant to the Agreement of Merger and to deliver such certificates to or upon the order of the President or any Vice President or the Secretary of this Corporation; and further

RESOLVED, that this Corporation reserve up to 8,272 additional shares of its presently authorized and unissued Common Stock (less such number of shares as may be equal to one-fourth the number of shares issued by Atron

Plaintiffs' Exhibit 16

Corporation upon the exercise of its qualified stock options between the date of the Agreement of Merger and the closing date as set forth therein) for issuance upon the exercise of qualified stock options granted prior to the execution of the Agreement of Merger by Atron Corporation and to be assumed by this Corporation or MDS-Atron, Inc. pursuant to the Agreement of Merger; and further

RESOLVED, that this Corporation reserve 42,500 additional shares of its presently authorized and unissued Common Stock for issuance upon exercise of stock purchase warrants issued by Atron Corporation and to be assumed by this Corporation or MDS-Atron, Inc. pursuant to the Agreement of Merger, plus such additional number of shares as may be necessary to be issued pursuant to the anti-dilution provisions of such warrants; and further

RESOLVED, that the President or any Vice President of this Corporation be, and he hereby is, authorized to execute any and all documents necessary to evidence the undertaking by this Corporation to issue shares of its Common Stock upon the proper exercise of the qualified stock options or warrants referred to in the two preceding resolutions, and to deliver or cause to be delivered shares of Common Stock of this Corporation upon such exercise to the holder of such options or warrants, in such manner as may be determined in the judgment of such officer, upon the advice of counsel; and further

RESOLVED, that Marine Midland Bank-New York, as Transfer Agent for the Common Stock of this Corporation, be, and it hereby is, authorized to rely on any advices of the President or any Vice President or the Secretary of this Corporation with respect to the exact number of shares to be reserved for issuance upon the exercise of options or warrants as set forth in the preceding resolutions; and further

RESOLVED, that, upon consummation of the proposed merger of Atron Corporation into MDS-Atron, Inc., Marine Midland Bank-New York be, and it hereby is, appointed as Agent for the holders of certificates representing Common Shares of Atron Corporation in order to receive certificates representing Common Shares of Atron Corporation and to exchange therefor certificates representing shares of Common Stock of this Corporation, in the ratio set forth in the Agreement of Merger, and to settle fractional interests in cash by issuing checks on behalf of this Corporation, all in accordance with such Agreement of Merger; and further

RESOLVED, that the President or any Vice President or the Secretary of this Corporation be, and each of them hereby is, authorized and directed to deliver to Marine Midland Bank-New York, as Transfer Agent for the Common Stock of this Corporation, instructions with respect to the issuance of shares of Common Stock of this Corporation to persons holding Common Shares of Atron Corporation at the date of the consummation of the merger; and further

RESOLVED, that Marine Midland Bank-New York, in its capacity as Agent for the persons holding certificates representing Common Shares of Atron Corporation, be, and it hereby is, authorized to rely on any advices and/or follow the instructions of the President or any Vice President or the Secretary of this Corporation in connection with its duty as such Agent; and further

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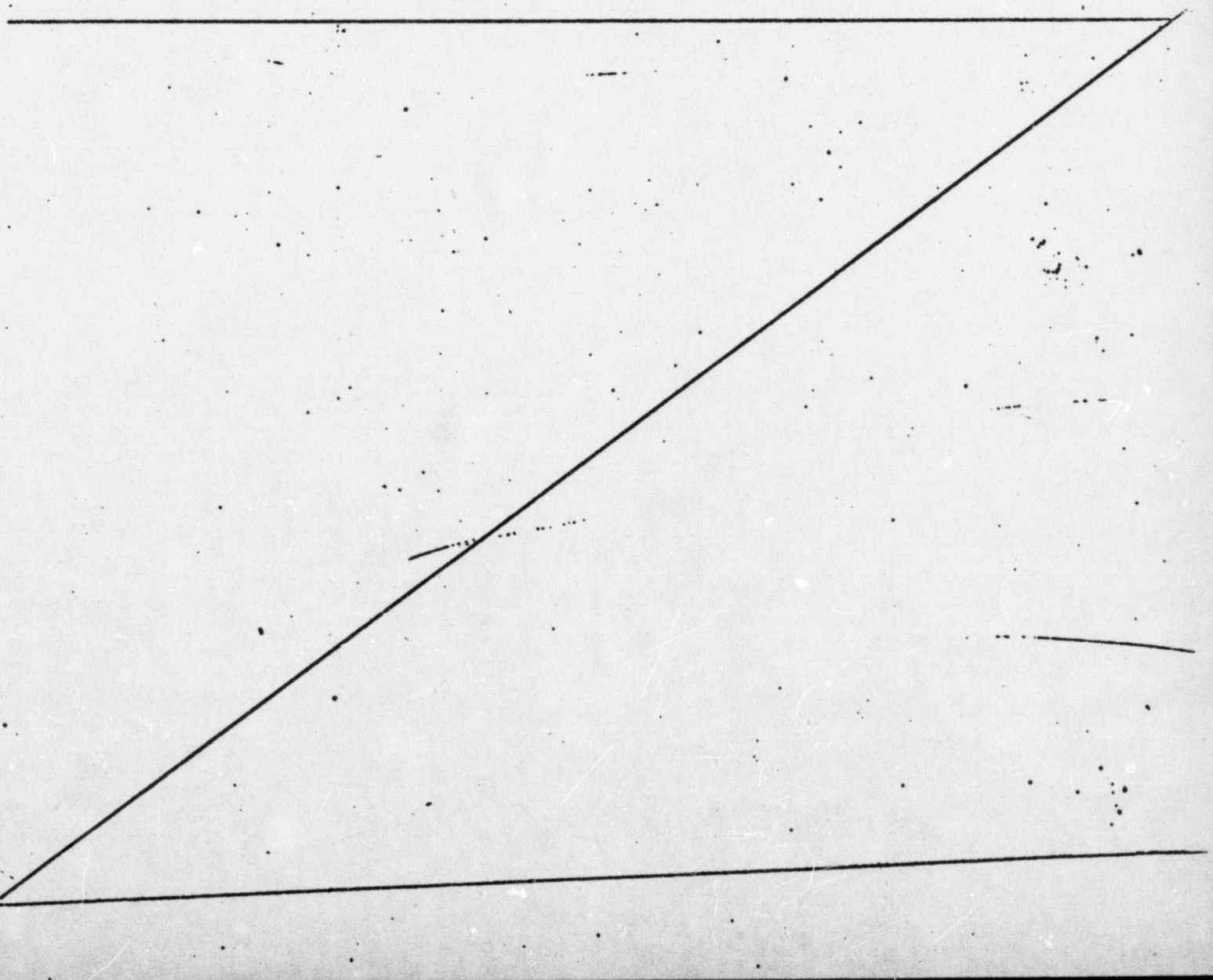
RESOLVED, that application be made to the New York Stock Exchange, Inc. for the listing of the shares of Common Stock of this Corporation issuable in connection with the proposed merger and that Wayne Wells, Executive Vice President, and Philip J. Ablove, Secretary, of this Corporation, be authorized by this Corporation to sign said application, to make such changes therein, or in any documents and agreements relative thereto, as may be necessary to conform with requirements for listing, and to appear (if requested) before officials of said Exchange; and further

RESOLVED, that the officers of this Corporation be, and they hereby are, authorized and directed to do and take all such acts and to make, execute and deliver all such instruments and other documents as they, with the advice of counsel, may deem necessary or advisable in order to consummate the transactions contemplated by the Agreement of Merger, to effect the proposed merger and to carry out in all respects the intents and purposes of the foregoing resolutions.



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Mr. Wells also stated that it would be advisable to authorize officers of the Company to execute on behalf of the Company the necessary proxy to be voted by the Company as a stockholder of Atron Corporation at the Atron stockholders meeting. Upon motion duly made, seconded and unanimously carried, it was

> RESOLVED, that in connection with the special meeting of stockholders of Atron Corporation to be held to approve the proposed merger, the President or any Vice President or the Secretary of this Corporation be, and he hereby is, authorized and directed to execute on behalf of this Corporation any and all proxies as may be required in order that the Common Shares of Atron Corporation held by this Corporation may be properly voted at such meeting, and to mark any such proxy in favor of the adoption of the Agreement and Plan of Merger providing for such merger.

Mr. Wells then reported on certain matters affecting the Company's bank accounts. He stated that it would be advisable to add Myles Fischer, Federal Marketing Administrator, as an Authorized Signatory on the Company's Petty Cash Account maintained at Marine Midland Bank-New York. Thereupon, upon motion duly made, seconded and unanimously carried, it was

> RESOLVED, that the Corporation's Petty Cash Account maintained at Marine Midland Bank-New York be varied to allow the signature of MYLES FISCHER, Federal Marketing Administrator, to be recognized as an Authorized Signatory of said Account.

Mr. Ablove also noted, as previously reported to this meeting, that at its meeting on February 24, 1971, the Executive Committee had authorized the opening of an account at The Chase Manhattan Bank and that it would be necessary to adopt certain resolutions in line with this action. Accordingly, upon motion duly made, seconded and unanimously carried, it was

> RESOLVED, that in connection with this Corporation's opening of an account at The Chase Manhattan Bank, the resolutions set forth in Exhibit A to the minutes of this meeting are hereby adopted as though fully set forth at length and incorporated herein and spread across the pages of these minutes.

Plaintiffs' Exhibit 16

Mr. Wells then reported on the proposed move of the Company's Financial and Legal Offices, Regional Marketing Office and New York City Branch Office to 100 Park Avenue in New York City, which would include a demonstration area for the System 2400. He stated the Company had been unable to sublease the demised premises except for part of the 36th floor. Upon motion duly made, seconded and unanimously carried, it was

> RESOLVED, that the move of the Company's Financial and Legal Offices, Northeast Regional Marketing Office and New York City Branch Office into the premises at 100 Park Avenue, New York, New York, demised by the Company under a lease dated February 28, 1969, is hereby approved and the resolution of the Board adopted at its meeting held on June 11, 1970 regarding the subleasing of said premises is hereby rescinded.

The next matter to come before the meeting was a discussion of the sale by the Company of the shares of Decision Data Corporation stock held by the Company. Messrs. Rifenburgh and Wells discussed the reasons for the sale. After discussion and upon motion duly made, seconded and unanimously carried, it was

> RESOLVED, that the sale of 16,500 shares of the Common Stock of Decision Data Corporation for the aggregate amount of $132,000 to Mr. Howard C. Beach and Mr. Robert E. Fowler (8,250 shares each) pursuant to agreements dated February 23, 1971, is hereby ratified, confirmed and approved.

Mr. Rifenburgh reported on the status of the Company's policy concerning a general employee wage freeze. He also announced the lease of an additional 50,000 square feet at the Company's facility in King of Prussia in order to provide additional space for the production of the Company's tape drives.

Mr. Ablove brought to the Board's attention the fact that the Department of Defense had issued an Industrial Security Manual for Safeguarding Classified Information which established procedures for granting security clearances to private contractors' facilities and stated that it would be advisable to adopt certain resolutions in accordance therewith. Thereupon, on motion duly made, seconded and unanimously carried:

Plaintiffs' Exhibit 16

WHEREAS, the Industrial Security Manual for Safeguarding Classified Information issued by the Department of Defense established procedures for granting security clearances to private contractors' facilities where access to classified information is required for contractual or other purposes, and said Security Manual is applicable to this Corporation; and

WHEREAS, said Security Manual requires personnel security clearances for all principal officers of this Corporation, and for those of its other officers and of its directors who will have access to classified information in the conduct of the corporate business:

BE IT RESOLVED AND AFFIRMED, in conformity with said Security Manual that the following named officers and directors of this Corporation shall not require, shall not have, and can be effectively excluded from access to all classified information in the possession of this Corporation, and do not occupy positions that would enable them to affect adversely this Corporation's policies or practices in the performance of classified contracts for the Department of Defense or the User Agencies of its Industrial Security Program.

Name	Title
Theodore D. Robinson	Director

Plaintiffs' Exhibit 16

It was determined that the next Regular Meeting of the Board of Directors would be held in June, 1971, at a date and place to be designated by the President.

There being no further business to come before the meeting, it was, upon motion adjourned.

Secretary

EXHIBIT A

Plaintiffs' Exhibit 16

CORPORATE RESOLUTIONS

I, as Secretary of MOHAWK DATA SCIENCES CORP.,
a corporation duly organized and existing under the laws of the State of New York, hereby certify to The Chase Manhattan Bank, N. A., that a meeting of the Board of Directors of said corporation was duly called and held ~~at its office in the City of~~ ~~and State of~~
on the 2nd day of March, 1971, that at said meeting a quorum was present and voting throughout, and that the following resolutions on motion duly made and seconded were unanimously adopted and are now in full force and effect:

DEPOSITS AND WITHDRAWALS

"RESOLVED, that The Chase Manhattan Bank, N. A. (hereinafter referred to as the "Bank") be and hereby is designated as a depositary of this corporation and that the officers and agents of this corporation be and hereby are, and each of them hereby is, authorized to deposit any of the funds of this corporation in the Bank either at its head office or at any of its branches.

RESOLVED, that, until the further order of this Board of Directors, any funds of this corporation deposited in the Bank be subject to withdrawal or charge at any time and from time to time upon checks, notes, drafts, bills of exchange, acceptances, undertakings, or other instruments or orders for the payment of money when made, signed, drawn, accepted or indorsed on behalf of this corporation by: (SEE NOTE BELOW)
One of the following:

Executive Vice President
Treasurer
Philip J. Ablove, Vice President
Corporate Controller
Edward W. Bowers, Assistant Treasurer

RESOLVED, that the Bank is hereby authorized to pay any such instrument or make any such charge and also to receive the same from the payee or any other holder without inquiry as to the circumstances of issue or the disposition of the proceeds even if drawn to the individual order of any signing person, or payable to the Bank or others for his account, or tendered in payment of his individual obligation, and whether drawn against an account in the name of this corporation or in the name of any officer or agent of this corporation as such, and, at the option of the Bank, even if the account shall not be in credit to the full amount of such instrument or charge.

LOANS; CREDITS AND SECURITY

~~RESOLVED, that the following: (SEE NOTE BELOW)~~

~~are hereby authorized on behalf of this corporation:~~

~~1. To borrow money and to obtain credit for this corporation from the Bank on any terms and to make and deliver notes, drafts, acceptances, instruments of guaranty, agreements and any other obligations of this corporation therefor in form satisfactory to the Bank.~~

2. To grant security interests in and/or pledge or assign and deliver, as security for money borrowed or credit obtained, stocks, bonds, instruments, bills receivable, accounts, mortgages, merchandise, bills-of-lading, warehouse receipts and other documents, insurance policies, certificates, and any other property now or hereafter held by or belonging to this corporation, with full authority to indorse, assign or guarantee any of the same in the name of this corporation.

NOTE: Insert in the spaces above the titles only (not the names) of officers who are authorized and the names only of other authorized persons, as for example: "President, Vice President, Treasurer, John Doe, William Roe". Also indicate clearly in what manner they are to sign, i.e., any one, any two, jointly, etc., and any special combination of signers, as for example: "one of whom shall be an officer".

Plaintiffs' Exhibit 16

3. To discount any bills receivable or any paper held by this corporation with full authority to indorse the same in the name of this corporation.

4. To withdraw from the Bank and give receipt for, or to authorize the Bank to deliver to bearer or to one or more designated persons, all or any documents and securities or other property held by it, whether held as collateral security or for safekeeping or for any other purpose.

5. To authorize and request the Bank to purchase or sell for account of this corporation stocks, bonds and other securities.

6. To execute and deliver all security and other agreements, financing statements and other papers required by the Bank in connection with any of the foregoing matters and affix thereto the seal of this corporation.

RESOLVED, that the Secretary or any other officer of this corporation be, and hereby is, authorized to certify to the Bank the names of the present officers of this corporation and other persons authorized to sign for it and the offices respectively held by them, together with specimens of their signatures, and in case of any change of any holder of any such office or holders of any such offices, the fact of such change and the names of any new officers and the offices respectively held by them, together with specimens of their signatures; and the Bank be, and hereby is, authorized to honor any instrument signed by any new officer or officers in respect of whom it has received any such certificate or certificates with the same force and effect as if said officer or said officers were named in the foregoing resolutions in the place of any person or persons with the same title or titles.

RESOLVED, that the Bank be promptly notified in writing by the Secretary or any other officer of this corporation of any change in these resolutions, such notice to be given to each office of the Bank in which any account of this corporation may be maintained, and that until it has actually received such notice in writing it is authorized to act in pursuance of these resolutions, and that until it has actually so received such notice it shall be indemnified and saved harmless from any loss suffered or liability incurred by it in continuing to act in pursuance of these resolutions, even though these resolutions may have been changed."

I FURTHER CERTIFY that there is no provision in the Charter or By-Laws of the said corporation limiting the power of the Board of Directors to pass the foregoing resolutions, and that the same are in conformity with the provisions of said Charter and By-Laws.

I FURTHER CERTIFY that the present officers of said corporation and the offices respectively held by them are as follows:

NAME	TITLE
Wayne Wells	Executive Vice President and Treasurer
Philip J. Ablove	Vice President and Secretary
Carl R. Pite	Corporate Controller
Edward W. Bowers	Assistant Treasurer

IN WITNESS WHEREOF, I have hereunto set my hand as Secretary of said corporation and affixed the corporate seal this 30th day of March, 19 71

AS SECRETARY OF THE SAID CORPORATION

/s/ Robert S. Schneider

(CORPORATE SEAL)

Assistant Secretary OTHER OFFICER

TITLE

* NOTE

Plaintiffs' Exhibit 18

ATRON CORPORATION

1256 Trapp Road

St. Paul, Minnesota 55121

April 16, 1971

To the Shareholders:

A special meeting of shareholders of Atron Corporation will be held on April 30, 1971 to vote upon a proposed merger of Atron into a wholly-owned subsidiary of Mohawk Data Sciences Corp.

The management of Atron has been carefully studying the present position and future requirements of Atron. Management believes that the future growth of Atron will require substantial expansion of its marketing in the end user market. This can be achieved most expeditiously and directly by merging with Mohawk, a major manufacturer of a broad range of computer peripheral equipment. Mohawk and Atron have had close business relations since the early days of Atron.

Management has concluded that the proposed merger is in the best interests of Atron and its shareholders and recommends that shareholders approve the merger. The terms of the merger were arrived at through negotiations among officers of Atron and Mohawk and are believed to be fair and equitable to both parties.

I urge each shareholder to sign, date and return the enclosed proxy and to vote for the proposed merger.

FAILURE TO SIGN AND RETURN YOUR PROXY, UNLESS YOU ARE TO BE PRESENT AT THE MEETING, IS EQUIVALENT TO A VOTE AGAINST THE PROPOSED MERGER. IT IS THEREFORE IMPORTANT THAT YOU COMPLETE AND RETURN YOUR PROXY PROMPTLY.

Very truly yours,

J. S. Stoutenburgh

Joseph S. Stoutenburgh
President

Plaintiffs' Exhibit 18

ATRON CORPORATION

1256 Trapp Road

St. Paul, Minnesota 55121

Notice of Special Meeting of Shareholders
to be held April 30, 1971

To the Shareholders of Atron Corporation:

A special meeting of the shareholders of Atron Corporation will be held on Friday, April 30, 1971 at 10:00 o'clock a.m. at the Sheraton Motor Inn, 2525 East 78th Street, Bloomington, Minnesota 55420 to consider and vote upon:

1. Adoption of an Agreement and Plan of Merger providing for the merger of Atron Corporation with and into MDS-Atron, Inc., a wholly-owned subsidiary of Mohawk Data Sciences Corp., as more fully described in the accompanying proxy statement.

2. Such other business as may properly come before the meeting.

The Board of Directors has fixed March 26, 1971 at the close of business as the record date for determining shareholders entitled to notice of and to vote at the meeting.

By Order of the Board of Directors

April 16, 1971

George P. Flannery, Secretary

IMPORTANT

THE AFFIRMATIVE VOTE OF THE HOLDERS OF AT LEAST TWO-THIRDS OF THE OUTSTANDING SHARES OF ATRON CORPORATION IS REQUIRED FOR ADOPTION OF THE AGREEMENT AND PLAN OF MERGER. IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING REGARDLESS OF THE NUMBER OF SHARES YOU MAY HOLD. PLEASE FILL IN, SIGN, DATE AND RETURN PROMPTLY THE ENCLOSED PROXY IN THE ENCLOSED ENVELOPE.

Plaintiffs' Exhibit 18

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PROXY STATEMENT

ATRON CORPORATION

Special Meeting of Shareholders — April 30, 1971

PURPOSE OF THE MEETING

The accompanying proxy is solicited by the management of Atron Corporation ("Atron") for use at the special meeting of shareholders to be held on April 30, 1971. The special meeting has been called by the Board of Directors of Atron to consider and vote upon the adoption of an Agreement and Plan of Merger dated as of March 12, 1971 (the "Agreement of Merger") providing for the merger of Atron into MDS-Atron, Inc. ("MDS-Atron"), a wholly-owned subsidiary of Mohawk Data Sciences Corp. ("Mohawk"). Atron is a Minnesota corporation, MDS-Atron a Delaware corporation and Mohawk a New York corporation. The proposed merger will be effected under the Minnesota Business Corporation Act and the Delaware General Corporation Law. The material provisions of the Agreement of Merger are summarized below.

Adoption of the Agreement of Merger will require the affirmative vote of the holders of two-thirds of the outstanding Common Shares of Atron.

The information contained in this proxy statement concerning Mohawk, MDS-Atron and Colorado Instruments, Inc. ("Colorado") has been furnished by Mohawk. Reference is made to "Business and Properties of Mohawk — Proposed Merger of Colorado Instruments, Inc."

SOLICITATION OF PROXIES

The person signing the accompanying proxy may revoke it at any time before its exercise. Each valid proxy received will be voted at the meeting unless revoked, and if a choice is specified in the form of proxy it will be voted in accordance with such specification. If no choice is specified, such proxy will be voted in favor of the merger. A shareholder's right to revoke his proxy is not limited by or subject to compliance with any specified formal procedure.

Shareholders of record at the close of business on March 26, 1971 will be entitled to vote at the meeting. Atron then had 1,090,110 Common Shares outstanding, each of which entitles the holder to one vote.

The only person holding of record or known to Atron to own beneficially more than 10% of its outstanding Common Shares is Mohawk, which on March 26, 1971 owned of record and beneficially 195,000 Common Shares or 17.8% of the outstanding shares. An additional 16,000 Common Shares (1.5% of the outstanding shares) were held at such date by Marine Midland Bank-Western, as Trustee of the Mohawk Employees' Pension Plan Trust. The officers of Atron held of record and beneficially on such date an aggregate of 151,072 Common Shares (13.9% of the outstanding shares). All of such shareholders have indicated their intent to vote their shares in favor of the adoption of the Agreement of Merger.

The cost of this solicitation of proxies will be borne by Atron. In addition to soliciting proxies by mail, officers and regular employees of Atron may solicit proxies by mail, telephone or in person, without additional compensation. Atron may request brokerage houses, nominees, custodians and fiduciaries to forward soliciting material to the beneficial owners of Atron Common Shares and will reimburse such persons for their expenses so incurred. Also, Atron may engage professional proxy solicitors to solicit proxies. If it does so, the estimated cost will be $5,000.

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THE AGREEMENT OF MERGER

The following is a summary of portions of the Agreement of Merger. A copy of the complete Agreement of Merger will be furnished by Atron to shareholders upon request to Atron.

Merger of Atron into MDS-Atron

On the effective date of the merger, Atron will merge into MDS-Atron, a newly formed subsidiary of Mohawk, which will continue as the surviving corporation under the laws of the State of Delaware, and the corporate existence of Atron will thereupon cease. All properties, assets, business, rights, and interests of Atron and MDS-Atron will be vested in MDS-Atron and all debts, liabilities, obligations and duties of Atron and of MDS-Atron will become debts, liabilities, obligations and duties of MDS-Atron. The effective date of the merger will be the later of the date of filing of the Agreement of Merger with the Secretary of State of Delaware and the date the Secretary of State of Minnesota issues a certificate of merger.

After the merger, the business theretofore conducted by Atron will be conducted by MDS-Atron as a wholly-owned subsidiary of Mohawk. The officers and directors of MDS-Atron upon the merger becoming effective will be the following:

Name	Office
Richard P. Rifenburgh	Chairman of the Board and Director
Joseph S. Stoutenburgh	President and Director
Mark M. Koschmann	Vice President and Director
Dennis C. Stanga	Vice President
Robert J. Gountanis	Vice President
Finley E. McLeod	Vice President
Herman Osofsky	Vice President
Wayne Wells	Treasurer and Director
Philip J. Ablove	Secretary
Richard L. Karpen	Director

All of the foregoing persons listed as officers of MDS-Atron, except Messrs. Rifenburgh, Wells and Ablove, hold the same offices with Atron. Mr. Rifenburgh is President and a director of Mohawk, Mr. Wells is Executive Vice President, Treasurer and a director of Mohawk, and Mr. Ablove is Vice President and Secretary of Mohawk. Mr. Karpen, who is a director of Atron, is Executive Vice President and a director of Mohawk.

Exchange of Stock

Each Common Share of Atron, par value 20¢ per share, outstanding on the effective date of the merger (other than shares owned by Mohawk or by dissenting shareholders who have demanded payment for their shares) will be exchanged for and converted into one-fourth of a share of Common Stock of Mohawk, par value 10¢ per share. See "Reasons for Merger and Recommendations of Directors" below for information on the determination of the exchange and conversion ratio. No fractional shares will be issued; in lieu thereof shareholders will be paid, without interest, an amount equal to the value of the fractional share based upon the closing price of Mohawk Common Stock on the New York Stock Exchange on the effective date of the merger. The Common Shares of Atron owned by Mohawk will be cancelled and no shares of Mohawk Common Stock will be issued to Mohawk with respect to such shares.

Shares of capital stock of Mohawk and of MDS-Atron outstanding on the effective date of the merger will remain unchanged by the merger.

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The conversion of shares of Atron into shares of Mohawk as set forth above will occur automatically and without any further action on the part of the Atron shareholders. Each certificate representing Atron Common Shares outstanding on the effective date of the merger shall thereafter be deemed to represent the number of whole shares of Common Stock of Mohawk into which the Atron Common Shares have been converted.

The stock transfer books for Atron Common Shares will be closed after the effective date of the merger. Certificates for Atron Common Shares should be exchanged for Mohawk certificates prior to sale or disposition since Atron certificates will not constitute good delivery of Mohawk Common Stock on the New York Stock Exchange.

Atron Warrants and Options

After the effective date of the merger, each qualified stock option and warrant to purchase Common Shares of Atron then issued and outstanding shall thereafter entitle the holder of such option or warrant upon exercise to receive one-fourth share of Common Stock of Mohawk for each full Common Share of Atron covered thereby (with fractional shares not to be issued and any payment for such fraction to be refunded) and the exercise price per share of Mohawk Common Stock shall be four times the exercise price per Atron Common Share contained in the option or warrant. The antidilution adjustments in the option or warrant agreements will, after the merger, apply to certain corporate actions by Mohawk. See "Capital Structure" and Notes E and F of the Notes to Atron's Financial Statements for further information with respect to such options and warrants.

Conditions

The merger will be terminated and abandoned if (1) the merger is not approved by the holders of two-thirds of the outstanding Common Shares of Atron; (2) the Mohawk Common Stock to be issued in connection with the transactions contemplated by the Agreement of Merger is not listed on the New York Stock Exchange subject to official notice of issuance; (3) Atron does not receive a ruling from the Internal Revenue Service or an opinion of counsel as described under "Federal Tax Status of Merger"; (4) an order of a court or administrative agency shall be in effect restraining the consummation of the merger; or (5) the merger is not completed by July 31, 1971 or any later date as to which the parties may agree.

Either Atron or Mohawk may terminate the merger prior to its consummation if (1) the other party shall suffer any loss by fire, flood, tornado, riot, accident or other calamity, whether or not insured, which shall substantially and adversely affect the value of its assets or business; or (2) any representation made by the other party in the Agreement of Merger shall prove to be substantially untrue. Atron may terminate the merger prior to its consummation if it does not receive from counsel to and officers of Mohawk and MDS-Atron favorable opinions, letters or certificates with respect to the business, operations, financial conditions and legal status of Mohawk and MDS-Atron, the validity of the merger proceedings and certain other matters. Mohawk may terminate the merger prior to its consummation if (1) the holders of more than 10% of the outstanding Common Shares of Atron object to the merger and demand payment in cash for their shares; (2) Mohawk and MDS-Atron do not receive from counsel to and officers of Atron favorable opinions, letters or certificates with respect to the business, operations, financial condition and legal status of Atron, the validity of the merger proceedings and certain other matters; or (3) Mohawk does not receive commitments from certain shareholders of Atron with respect to the disposition of the shares of Mohawk Common Stock to be received by such persons in connection with the merger.

Plaintiffs' Exhibit 18

REASONS FOR MERGER AND RECOMMENDATIONS OF DIRECTORS

The directors of Atron have approved the proposed merger and the management of Atron recommends that shareholders vote in favor of the merger as being in the best interests of Atron and its shareholders.

The management of Atron believes that the proposed merger will substantially benefit the distribution of Atron products, particularly to end users. To date, over 90% of Atron sales have consisted of sales of small computers and related equipment to Mohawk, which produces and markets various systems which include the Atron computer and various peripheral products manufactured by Mohawk.

In 1970, the computer industry, along with the general United States economy, suffered a significant decline. As a result sales and profit margins were reduced and manufacturers in the field in which Atron operates tended to manufacture higher proportions of the systems sold or leased by them. This served to reduce the original equipment market available to a company like Atron which produces principally one component of a system. Consequently, Atron management believes that its future growth in the small computer field would require extension into the end user market. Management also believes that successful competition in the end user market by Atron will require an expanded sales and service organization, facilities for the manufacture of a higher proportion of the components included in its systems, and the financial ability to offer leasing of equipment to customers. Atron has recently designed and offered systems of various capacities, which include the Atron small computer, but the other peripheral devices of the systems are purchased from others, principally Mohawk. Atron has developed only a limited sales force and relies primarily on Mohawk, under a contractual arrangement, for equipment maintenance.

The end user market is highly competitive and more companies are entering the field. Atron management believes that the proposed merger will enhance the position of the combined businesses in the end user market for several reasons. A high percentage of the components of the Mohawk systems will then be manufactured by the combined businesses permitting more competitive pricing. Furthermore, Mohawk has an established marketing and service organization and has the experience and financial capabilities to offer leasing of equipment to customers.

The terms of the proposed merger were arrived at through negotiations between officers of Atron and Mohawk, with consideration being given to the current and prospective earning power of both companies, their financial conditions and growth possibilities, the relative market value of their capital shares, the manufacturing rights of Mohawk described under "Business and Properties of Atron", and other matters. Management considers the merger to be a sound and constructive step in the interests of Atron shareholders and recommends that shareholders vote in favor of the merger.

Plaintiffs' Exhibit 18

CERTAIN DATA WITH RESPECT TO THE SECURITIES OF ATRON AND MOHAWK

The following data should be read in conjunction with the financial statements and the notes thereto appearing elsewhere in this proxy statement and are set forth solely as a summary record of results in the past which should not be taken as necessarily indicative of future prospects or currently realizable values.

Comparative Market Prices

There was no public market for the Common Shares of Atron prior to a public offering which was commenced on January 14, 1970. The public offering was of units consisting of two Common Shares and a warrant to purchase one Common Share at an exercise price of $17.00 per share. The public offering price of the units was $30.00 per unit. The Common Stock of Mohawk is listed on the New York Stock Exchange; from October 1967 to February 1970, its Common Stock was listed on the American Stock Exchange. The following table sets forth for the periods indicated the high and low bid prices of Atron Common Shares in the over-the-counter market (which have been furnished by the National Quotation Bureau, Incorporated) which represent inter-dealer quotations without retail markup, markdown or commission and do not necessarily represent actual transactions, and the high and low sales prices of Mohawk Common Stock on the American Stock Exchange through February 13, 1970 and on the New York Stock Exchange thereafter.

	Atron Bid Prices		Mohawk Sales Prices	
	High	Low	High	Low
1969:			ASE	
1st quarter	—	—	$79	$59¾
2nd quarter	—	—	85½	66¼
3rd quarter	—	—	89⅛	69
4th quarter	—	—	81¼	68
1970:				
1st quarter (since Jan. 14 for Atron)	$21¾	$ 9	87 (ASE)	68½ (ASE)
			79⅜ (NYSE)	55½ (NYSE)
2nd quarter	9¼	3⅜	63½	21½
3rd quarter	5⅞	2	41½	18⅛
4th quarter	8⅝	5	40⅝	23½
1971:				
1st quarter	8½	5½	37⅛	23⅛
2nd quarter (to April 14)	9¼	7⅝	40⅝	35¾

On April 14, 1971, the high reported bid price of Atron Common Shares in the over-the-counter market was $9.13 and the reported last sale price of Mohawk Common Stock on the New York Stock Exchange was $40.13. Agreement in principle on the merger was reached and announced to the public on January 29, 1971. On the preceding day the average of the high and low reported bid prices of Atron Common Shares in the over-the-counter market was $7.75 and the reported last sale price of Mohawk Common Stock on the New York Stock Exchange was $29.00.

Plaintiffs' Exhibit 18

Comparative Net Income

The net income (loss) per Common Share of Atron and per share and per one quarter share of Common Stock of Mohawk as well as the pro forma net income of Atron and Mohawk combined and Atron, Mohawk and Colorado combined per one quarter share of Mohawk Common Stock for the periods indicated are set forth below.

	Atron per Common Share	Mohawk per share of Common Stock	Mohawk per ¼ share of Common Stock	Mohawk and Atron pro forma combined per ¼ share of Mohawk Common Stock	Mohawk, Atron and Colorado pro forma combined per ¼ share of Mohawk Common Stock
1966—Income (loss) before extraordinary items	—	($1.07)	($ .27)	—	($ .26)
—Net income (loss)	—	(1.11)	(.28)	—	(.27)
1967—Income (loss) before extraordinary items	—	.14	.03	—	.03
—Net income (loss)	—	.28	.07	—	.07
1968—Income (loss) before extraordinary items	—	.39	.10	—	.09
—Net income (loss)	—	.58	.14	—	.14
1969—Income (loss) before extraordinary items	—	1.15	.29	$ .26	.25
—Net income (loss)	—	1.22	.30	.27	.27
1970—Net income (loss)	($1.10)	1.52	.38	.32	.30
Three months ended—December 31, 1970 for Atron, October 31, 1970 for Mohawk, August 31, 1970 for Colorado —Net income (loss)	(.13)	.23	.06	.05	.04

Comparative Book Values

The book value per Common Share of Atron and per share and per one quarter share of Common Stock of Mohawk at the end of their respective fiscal years and the pro forma combined book value of Atron and Mohawk and of Atron, Mohawk and Colorado per one quarter share of Mohawk Common Stock as of their respective fiscal year ends were as follows:

	Book Value
Atron, per Common Share (at September 30, 1970)	$3.95
Mohawk, per share of Common Stock (at July 31, 1970)	8.49
Mohawk, per ¼ share of Common Stock (at July 31, 1970)	2.12
Atron and Mohawk pro forma combined, per ¼ share of Mohawk Common Stock	2.20
Atron, Mohawk and Colorado pro forma combined, per ¼ share of Mohawk Common Stock	2.21

Dividends

Neither Atron nor Mohawk has paid any dividends on its capital stock.

Plaintiffs' Exhibit 18

FEDERAL TAX STATUS OF MERGER

Atron has requested a ruling from the Internal Revenue Service to the effect that no gain or loss shall be recognized by Atron as a result of the merger, and that, as to Atron shareholders, (i) the consummation of the merger will result in neither gain nor loss for Federal income tax purposes except in connection with any moneys received in lieu of fractional shares; (ii) the basis of the Common Stock of Mohawk received will be the same as the basis of Atron Common Shares converted, except that where cash is received in lieu of fractional shares, such basis will be reduced by the excess of the cash received over the taxable gain; and (iii) the holding period for the Common Stock of Mohawk received will include the holding period of the Atron shares converted, provided that the shares surrendered constituted a capital asset in the hands of the Atron shareholders. In the event that no such ruling shall have been issued by the time of the special meeting of Atron's shareholders but Messrs. Dorsey, Marquart, Windhorst, West & Halladay, counsel for Atron, shall have received reasonable assurance from the staff of the Internal Revenue Service that a favorable ruling will be issued in due course, then Atron will receive an opinion of such counsel to the foregoing effect.

In the opinion of such counsel, gain or loss will be recognized by dissenting shareholders of Atron who demand and receive payment for their shares.

RIGHTS OF DISSENTING SHAREHOLDERS

Under Sections 301.40 and 301.44 of the Minnesota Business Corporation Act, shareholders of Atron who object to the merger with MDS-Atron and who comply with the provisions of those Sections are entitled to receive payment of the fair cash value of their shares at the time the merger was authorized.

In order to receive such payment, a shareholder must, at any time prior to the date of the meeting, file a written objection to the merger in the office of the Secretary or President of Atron and demand payment for his shares. Failure to vote against the merger will not constitute a waiver of the right to such payment; however, a vote against the merger will not satisfy the requirement of written objection. The demand for payment will be of no effect if the shareholder votes in favor of the merger, or at any time consents thereto in writing, or if the merger is not in fact effected. Shareholders who do not object in writing and demand payment for their shares pursuant to the provisions of the Minnesota Business Corporation Act shall be deemed to have assented to the merger on the terms specified in the Agreement of Merger.

Sections 301.40 and 301.44 are set forth in full as Exhibit I to this proxy statement. In the event dissenting shareholders and MDS-Atron do not agree on the value of the Atron shares, the statute provides for an appraisal proceeding. The appraisers' expenses and fees, together with other expenses, not including counsel fees, will be paid by MDS-Atron except that all or any part of such costs and expenses may be assessed against any or all of the demanding shareholders if a majority of the appraisers in good faith find that such demanding shareholders refused to accept an offer to purchase and such refusal was arbitrary, vexatious or otherwise not in good faith.

Plaintiffs' Exhibit 18

DESCRIPTION OF COMMON STOCK OF MOHAWK

The holders of shares of Mohawk's Common Stock are entitled to one vote for each share held, have equal rights to dividends from funds legally available therefor when, as and if declared by the Board of Directors, and are entitled, upon liquidation, to share ratably in all assets legally available for distribution to stockholders. The Common Stock is not redeemable and has no preemptive or conversion rights. All outstanding shares of Common Stock are fully paid and non-assessable by Mohawk.

The Indenture dated as of December 15, 1969 between Mohawk and Chemical Bank, as Trustee, under which Mohawk issued $30,000,000 principal amount of 5½% Convertible Subordinated Debentures due December 15, 1994, restricts the payment of dividends (other than stock dividends) and the purchase of any class of capital stock of Mohawk to an amount not exceeding the sum of (a) Consolidated Net Earnings (as defined in said Indenture) accrued subsequent to July 31, 1969, (b) the aggregate net proceeds received by Mohawk from sales of its capital stock subsequent to July 31, 1969 (but only to the extent that such net proceeds are equal to or more than the aggregate cost of all shares of capital stock of Mohawk acquired or redeemed subsequent to July 31, 1969), and (c) $7,500,000. No cash dividends have been declared or paid to date, and Mohawk does not intend to pay cash dividends on its Common Stock in the foreseeable future.

A class of Preferred Stock, issuable in series from time to time by action of the Board of Directors, was authorized by the stockholders in 1968. All shares of such Preferred Stock, regardless of series, will be entitled to preference over shares of the Common Stock in the distribution of dividends or assets or both. At the date hereof no such series of Preferred Stock has been created.

The corporate laws of Minnesota and New York are similar in their main provisions with respect to the important rights of shareholders, such as the right to elect directors, to receive dividends, to share in the distribution of assets on liquidation, etc. Under the laws of both states, the rights of shareholders may be modified in the charter documents in many instances. Among the statutory differences in the laws of the two states are the following: Under Minnesota law only, shareholders are expressly made liable for dividends unlawfully paid to them. Under Minnesota law the right of a shareholder to object to corporate action and demand cash payment for his shares extends to amendments to the charter substantially changing the purposes of the corporation or extending its duration.

Plaintiffs' Exhibit 18

CAPITAL STRUCTURE

The existing capitalizations of Mohawk, Atron and Colorado at February 28, 1971, and as adjusted, pro forma, to give effect to both proposed mergers, are as follows:

	Mohawk	Atron	Colorado	Pro Forma
Long Term Debt (including current portions):				
6¼% to 9¼% Notes to banks payable to 1976(1)	$18,314,000			$18,314,000
2¾%-7½% Mortgages(2)	1,012,000		$ 82,000	1,094,000
Sundry Indebtedness(3).....	5,443,000		459,000	5,902,000
Convertible Debentures(4):				
5½% Convertible Subordinated Debentures due December 15, 1994	30,000,000			30,000,000
5½% Subordinated Guaranteed Debentures due 1989	15,000,000			15,000,000
Capital Stock:				
Common Shares, 20¢ par value (5,000,000 shares authorized)		1,089,360 shs. (5)		
Common Stock, $1 par value (1,000,000 shares authorized)			570,660 shs. (6)	
Common Stock, 10¢ par value (15,000,000 shares authorized)	5,484,061 shs. (7)			5,789,173 shs. (8)

(1) Such notes were issued under credit agreements entered into as of February 26, 1971 providing for the granting of credit in the maximum amount of $50,000,000, all of which is available until 1974 and $23,000,000 of which is available until 1976.

(2) Consists of various mortgages payable to 1988 at interest rates as noted.

(3) Consists of short-term borrowings at varying interest rates.

(4) The Convertible Subordinated Debentures due December 15, 1994 and the Subordinated Guaranteed Debentures due 1989 are convertible into Common Stock of Mohawk at $85.50 and $82.00 per share, respectively. The Subordinated Guaranteed Debentures were issued by a wholly-owned international finance subsidiary of Mohawk and the payment of the principal, premium, if any, and interest on such Debentures is guaranteed (on a subordinated basis) by Mohawk. The indenture under which the Convertible Subordinated Debentures were issued provides for annual sinking fund payments, beginning in 1979, of 5% of the principal amount thereof outstanding on December 15, 1978.

(5) In addition, 170,000 Common Shares were reserved for issuance upon the exercise of warrants and 71,640 shares were reserved for issuance upon the exercise of employee qualified stock options granted or which may be granted.

(6) In addition, 10,000 shares of Common Stock were reserved for issuance upon the exercise of outstanding warrants and 100,000 shares were reserved for issuance upon the exercise of employee qualified stock options granted or which may be granted (options covering 66,150 shares were outstanding at February 28, 1971).

(7) In addition, 401,666 shares of Common Stock were reserved for issuance upon the exercise of employee qualified, restricted and non-qualified stock options granted or which may be granted; 148,560 shares were reserved for issuance in connection with Mohawk's Stock Purchase Plan; and 533,805 shares were reserved for issuance upon the conversion of the Debentures referred to in Note 4 above. An additional 51,215 shares and 10,878 shares will be reserved for issuance upon exercise of the options and warrants referred to in Notes 5 and 6 above.

(8) The Agreement of Merger contemplates the issuance of one share of Common Stock of Mohawk for each four Common Shares of Atron. No shares will be issued to Mohawk as a shareholder of Atron. This calculation assumes that no fractional shares result from the conversion of Atron Common Shares in the merger, that no shareholders of Atron exercise their appraisal rights, that no additional shares are issued upon the exercise of warrants or options, but assumes the issuance of 81,522 shares upon consummation of the Colorado merger.

Note: Reference is made to Note D of Notes to Atron's Financial Statements and to Note J of Notes to Mohawk's Financial Statements for information regarding long term lease commitments.

Plaintiffs' Exhibit 18

ATRON CORPORATION
STATEMENT OF OPERATIONS AND DEFICIT

The following statement presents the results of operations of Atron Corporation for the year ended September 30, 1970. The statement has been examined by Hurdman and Cranstoun, Penney & Co., independent public accountants, as set forth in their report (as qualified) included elsewhere in this proxy statement. The statement should be read in conjunction with the other financial statements of Atron Corporation and notes thereto included elsewhere in this proxy statement.

Year Ended September 30, 1970

Sales (a)		$ 812,466
Service and rental income (a)		83,017
		895,483
Cost of sales	$608,606	
Cost of service and rental income	70,985	679,591
Gross profit		215,892
Expenses:		
Product development	624,092	
Selling, general and administrative	729,136	
Amortization of developmental costs (b)	161,609	1,514,837
Operating loss		(1,298,945)
Other income:		
Interest	210,167	
Miscellaneous	1,474	211,641
Net loss for the year and deficit		($1,087,304)
Net loss per common share (c)		($1.10)

NOTES:

(a) PRINCIPAL CUSTOMER:
Sales and services to the Company's principal customer, Mohawk Data Sciences Corp., totalled $834,539 for the year ended September 30, 1970.

(b) UNRECOVERED PROMOTIONAL AND DEVELOPMENTAL COSTS:
The Company was incorporated in Minnesota on November 27, 1968.
To September 30, 1969, the Company engaged in arranging for facilities, developing operating and administrative procedures, and developing its initial products. These costs totalled $484,828 (net of $24,958 in revenues during the preoperating stage).
The Company commenced amortization of these costs on October 1, 1969, when regular production began. The Company intends (subject to revision, if necessary) to amortize fully these costs over a period of 36 months. Since October 1, 1969, the Company has charged all additional product development to operations.

(c) NET LOSS PER COMMON SHARE:
Net loss per common share has been computed on the basis of average shares outstanding during the year. Exercise of options and warrants has not been assumed since such assumption would result in a lesser loss per share.

For the three months ended December 31, 1970, net sales were $613,686, service income was $23,858, and the net loss was $146,155, equal to $.13 loss per share. For the comparable three-month period ended December 31, 1969 net sales were $77,488, service income was $42,819, and the net loss was $247,944, equal to $.32 loss per share. Such data are unaudited and, in the opinion of Atron, reflect all adjustments (which include only normal recurring accruals) necessary for a fair presentation of the results shown for such periods. The increase in net sales for the fiscal quarter ended December 31, 1970 from the comparable quarter of the prior fiscal year was primarily due to an increase in shipments to Mohawk which constituted in excess of 90% of sales and service revenues for such quarter.

Plaintiffs' Exhibit 18

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME

The following statement presents the consolidated results of operations of Mohawk Data Sciences Corp. ("Mohawk") and subsidiaries, including companies acquired on a pooling-of-interests basis, see Note (a) below. The statement, to the extent it relates to the three years ended July 31, 1970, has been examined by S. D. Leidesdorf & Co., independent public accountants, as set forth in their report included elsewhere in this proxy statement. The statement should be read in conjunction with the other financial statements of Mohawk and notes thereto included elsewhere in this proxy statement. Reference to the aforementioned notes is indicated by upper case letters.

	Fiscal Periods Ended in				
			See Note (a) (000's Omitted)		
	1966	1967	1968	1969	1970
	(Not Covered by Accountants' Report)				
Revenues:					
Net sales (b)—Note J	$ 20,599	$ 24,326	$ 44,463	$ 60,927	$ 64,351
Rental and service income	910	3,275	9,382	22,084	38,199
	21,509	27,60[illegible]	53,845	83,011	102,550
Cost of sales	16,696	16,568	29,785	35,931	36,829
Cost of rental and service	774	1,747	4,456	10,657	17,074
	17,470	18,315	34,241	46,588	53,903
Gross profit	4,039	9,286	19,604	36,423	48,647
Development and engineering expenses	1,060	1,288	1,883	4,836	6,395
Selling, general and administrative expenses	5,546	6,136	11,080	17,280	22,888
Losses resulting from product lines sold or discontinued (c)	2,654				
Interest expense (d)	577	694	816	2,401	3,914
Other (income) deductions—net (e)	(1)	(308)	428	153	(298)
	9,836	7,810	14,207	24,670	32,899
Income (loss) before items shown below	(5,797)	1,476	5,397	11,753	15,748
(Provision) credit for income taxes (f)—Note E:					
Current	1,135	(23)	(2,730)	(4,898)	(6,973)
Deferred	22	64	384	(202)	(452)
Amount equivalent to reduction in income taxes arising from use of net operating loss carry-forwards		(835)	(1,004)	(371)	
Income (loss) before extraordinary items	(4,640)	682	2,047	6,282	8,323
Extraordinary items:					
Reduction in income taxes arising from use of net operating loss carry-forwards		835	1,004	371	
Charge relating to settlement of litigation	(177)				
Provision for loss on investment in and advances to unconsolidated foreign subsidiary		(185)			
Net income (loss)	($ 4,817)	$ 1,332	$ 3,051	$ 6,653	$ 8,323
Average shares outstanding (g)	4,331,290	4,775,702	5,293,406	5,449,116	5,474,333
Per share of Common Stock (g):					
Income (loss) before extraordinary items	($1.07)	$.14	$.39	$1.15	$1.52
Extraordinary items—credit (charge)	(.04)	.14	.19	.07	
Net income (loss)	($1.11)	$.28	$.58	$1.22	$1.52

No cash dividends have been paid during the periods shown.

Plaintiffs' Exhibit 18

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENT OF INCOME

(Not covered by Accountants' Report with respect to the fiscal periods ended in 1966 and 1967)

(a) Companies acquired during fiscal 1968 on a pooling-of-interests basis (Anelex Corporation and subsidiaries, Soroban Engineering, Inc. and its subsidiary and Ohr-Tronics, Inc.) had fiscal years ended on or about September 30 and the results of such companies for such fiscal years have been included above for the fiscal years 1966 and 1967, with the exception of the consolidated results of Anelex which are included in 1967 for the ten months ended July 30, 1967. The results of Anelex for 1968 are included for the twelve months ended July 31, 1968. Soroban and Ohr-Tronics are included in 1968 for the ten months ended July 31, 1968. The results of Mohawk are included for the twelve months ended July 31 in each of the years. Included in the fiscal year 1968 are the results of operations (not significant) of a company purchased during 1968. See Note A.
Reconciliations of net sales, rental and service income and net income (loss) as initially reported to stockholders and after reflecting the above-described pooling-of-interests are as follows:

	Fiscal Period Ended July 31 (000's Omitted) 1966	1967
Revenues:		
Mohawk, as reported to stockholders:		
Net sales	$ 1,522	$ 6,091
Rental and service income	886	3,239
Companies acquired in pooling-of-interests:		
Net sales	19,077	18,235
Rental and service income	24	36
Total, as shown in consolidated statement of income	$21,509	$27,601
Net Income (Loss):		
Mohawk, as reported to stockholders:	($ 1,006)	$ 1,303
Companies acquired in pooling-of-interests	(3,811)	29
As shown in consolidated statement of income	($ 4,817)	$ 1,332

(b) Approximately 3%—1966; 18%—1967; 30%—1968; 35%—1969 and 32%—1970 of net sales were to National Cash Register Company.
(c) During 1966, Anelex and a subsidiary incurred losses of $2,654,000 from product lines sold or discontinued. Net sales for the 1966 fiscal period excludes sales of $509,000 of product lines sold or discontinued.
(d) Interest applicable to long-term debt amounts to $337,000—1966; $331,000—1967; $292,000—1968; $2,267,000—1969; and $2,896,000—1970.
(e) Other (income) deductions—net includes royalty income of $139,00—1967; $186,000—1968; $237,000—1969; and $361,000—1970 and, in 1968, additional amortization of leasehold improvements and write off of debt expense of $286,000 and $243,000, respectively. Includes, in addition, non-recurring items in fiscal 1970 which were substantially offsetting.
(f) Includes foreign income taxes of $1,061,000 (1969) and $2,482,000 (1970) and state income taxes of $356,000 (1969) and $550,000 (1970).
(g) Computed on the basis of the weighted average number of shares outstanding during each year (including for years prior to the merger of Anelex into Mohawk and the acquisitions of Soroban and Ohr-Tronics, the number of Mohawk shares equivalent to the actual number of Anelex, Soroban and Ohr-Tronics shares outstanding) adjusted retroactively for stock splits. Common stock equivalents do not have a material effect on earnings per share.

For the six months ended January 31, 1971 and January 31, 1970, the unaudited comparative statement of income is as follows:

	Six Months Ended January 31, 1971	1970
	(000's omitted)	
Net sales	$21,040	$33,820
Rental and service income	24,045	17,015
	$45,085	$50,835
Net income	$ 2,345	$ 4,085
Per share of Common Stock:		
Income before extraordinary item	$.43	$.70
Extraordinary item—gain of $275,000 from the revaluation of foreign currencies		.05
Net income	$.43	$.75

Such data are unaudited and, in the opinion of Mohawk, reflect all adjustments (which include only normal recurring accruals) necessary for a fair presentation of the results shown for such periods.

Plaintiffs' Exhibit 18

The decrease in net sales and net income in the six month period ended January 31, 1971 from the comparable period of the prior fiscal year was primarily due to a decrease in shipments to National Cash Register Company and other original equipment manufacturers, believed by Mohawk to be a part of the recent downturn in the U. S. economy which generally adversely affected companies in the computer and computer peripheral industries. In addition, there were significant revenues from certain government contracts during the six month period ended January 31, 1970, which contracts were completed in February 1970.

Rental and service income has been increasing as a proportion of total revenues as Mohawk has maintained its program of placing on rent a substantial portion of the equipment manufactured by it while it continues to derive revenues from equipment previously placed on rent. This increasing proportion was accentuated during the fiscal year ended July 31, 1970 and the six months ended January 31, 1971 because of the decrease in sales to original equipment manufacturers as described above. In an attempt to maintain a balance between equipment sales and rentals, Mohawk has from time to time sold certain of its rental equipment to third parties. See Note J of Notes to Mohawk's Financial Statements.

The length of time equipment remains on rent determines the amount of profits to be made from such equipment. Equipment presently on rent is generally covered by short term lease agreements, although Mohawk is presently offering longer lease programs. See "Business and Properties of Mohawk—Marketing—End User Market". Future rental and service income may be adversely affected by return of equipment on lease for various reasons, including budgetary reductions in the customer's data processing department and the rapid technological advances and obsolescence factors present in the industry.

Mohawk's End User backlog as of January 31, 1971 and as of January 31, 1970 for equipment to be placed on rent was in each instance approximately $35,000,000. Said figures were computed using the equivalent list price sales value of such rental equipment. The backlog at January 31, 1971 of equipment to be sold to original equipment manufacturers was approximately $13,500,000, compared with approximately $20,500,000 at January 31, 1970. The backlog at January 31, 1971 of orders to be filled for the Federal Government was approximately $3,000,000, compared with approximately $250,000 at January 31, 1970. The foregoing figures do not include orders for supplies and spare parts. Such figures cannot be translated into revenues or net income because of the varying profit margins and lead times among the different elements of Mohawk's business. In addition, while the foregoing backlog figures are based on firm orders from customers, it has been Mohawk's practice in the past to permit its customers to cancel small orders, reduce quantities ordered, and to delay delivery dates. Such cancellations, reductions and delays have occurred more frequently during the recent economic decline than formerly.

Plaintiffs' Exhibit 18

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES
AND ATRON CORPORATION
PRO FORMA COMBINED STATEMENT OF INCOME
(Unaudited)

The following unaudited pro forma combined statement of income gives effect to the proposed Agreement and Plan of Merger (described elsewhere herein) between Mohawk and Atron by combining the results of their operations on a pooling-of-interests basis. For purposes of this statement, results of operations of Mohawk for the fiscal period ended July 31, 1970 have been combined with those of Atron for the fiscal period ended September 30, 1970. This statement should be read in conjunction with the other financial statements and notes thereto included elsewhere in this proxy statement.

	Fiscal Periods Ended In (000's omitted)				
	1966	1967	1968	1969	1970
Revenues:					
Mohawk—as reported to stockholders:					
Net sales	$ 20,599	$ 24,326	$ 44,463	$ 60,927	$ 64,351
Rental and service income	910	3,275	9,382	22,084	38,199
Atron (a):					
Net sales					57
Rental and service income					4
	21,509	27,601	53,845	83,011	102,611
Cost of sales	16,696	16,568	29,785	35,931	36,883
Cost of rental and service	774	1,747	4,456	10,657	17,066
	17,470	18,315	34,241	46,588	53,949
Gross profit	4,039	9,286	19,604	36,423	48,662
Development and engineering expenses (b)	1,06[illegible]	1,288	1,883	5,321	7,019
Selling, general and administrative expenses	5,54[illegible]	6,136	11,080	17,280	23,617
Losses resulting from product lines sold or discontinued	2,654				
Interest expense	577	694	816	2,401	3,914
Other (income) deductions—net	(1)	(308)	428	153	(510)
	9,836	7,810	14,207	25,155	34,040
Income (loss) before items shown below	(5,797)	1,476	5,397	11,268	14,622
(Provision) credit for income taxes—					
Current	1,135	(23)	(2,730)	(4,898)	(6,973)
Deferred	22	64	384	(202)	(352)
Amount equivalent to reduction in income taxes arising from use of net operating loss carry-forwards		(855)	(1,004)	(371)	
Income (loss) before extraordinary items	(4,640)	682	2,047	5,797	7,297
Extraodinary items:					
Reduction in income taxes arising from use of net operating loss carry-forwards		8[illegible]5	1,004	371	
Charge relating to settlement of litigation	(177)				
Provision for loss on investment in and advances to unconsolidated foreign subsidiary		(185)			
Net income (loss)	($4,817)	$ 1,332	$ 3,051	$ 6,168	$ 7,297
Average shares outstanding (c)	4,331,290	4,775,702	5,293,406	5,623,220	5,673,526
Per share of Common Stock:					
Income (loss) before extraordinary items	($1.07)	$ .14	$ .39	$ 1.03	$ 1.29
Extraordinary items—credit (charge)	(.04)	.14	.19	.07	
Net income (loss)	($1.11)	$ .28	$ .58	$ 1.10	$ 1.29

Plaintiffs' Exhibit 18

NOTES TO PRO FORMA COMBINED STATEMENT OF INCOME

(a) Effect has been given to elimination of intercompany sales and service income from Atron to Mohawk (see Note (a) to Atron Statement of Operations and Deficit). Sales from Mohawk to Atron were not material.

(b) For the purposes of this statement, development expenses of Atron have been expensed in the year incurred and reclassified to development and engineering expenses for the period shown on a pro forma basis.

(c) Computed on the basis of the average number of Mohawk shares outstanding during each period, adjusted to give effect to the proposed 1 for 4 exchange of Mohawk common stock for Atron common shares (based upon the average number of Atron shares outstanding during each period).

After giving effect to the Agreement of Merger, and combining the results of operations of Mohawk for the three months ended October 31, 1970 with those of Atron for the three months ended December 31, 1970, and after the elimination of intercompany sales, net sales for the three month period were $10,160,000, rental and service income was $11,665,000 and net income was $1,085,000, equal to $.19 per share. For the comparable three month period of the prior year, net sales were $17,065,000, rental and service income was $7,915,000 and net income was $1,820,000, equal to $.32 per share. Such data are unaudited and, in the opinion of Mohawk and Atron, reflect all adjustments (which include only normal recurring accruals) necessary for a fair presentation of the results shown for such periods.

Plaintiffs' Exhibit 18

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES, ATRON CORPORATION AND COLORADO INSTRUMENTS, INC.

PRO FORMA COMBINED STATEMENT OF INCOME
(Unaudited)

The following unaudited pro forma combined statement of income gives effect to the proposed Agreements and Plans of Merger (described elsewhere herein) between Mohawk, Atron and Colorado by combining the results of their operations on a pooling-of-interests basis. For purposes of this statement, results of operations of Mohawk for the fiscal periods ended July 31, have been combined with those of Atron and Colorado for the fiscal periods ended September 30 and May 31, respectively. This statement should be read in conjunction with the other financial statements and notes thereto included elsewhere in this proxy statement.

	Fiscal Periods Ended In				
	1966	1967	1968	1969	1970
			(000's omitted)		
Revenues:					
Mohawk:					
Net sales	$ 20,599	$ 24,326	$ 44,463	$ 60,927	$ 64,351
Rental and service income	910	3,275	9,382	22,084	38,199
Atron and Colorado (a)(d):					
Net sales	592	570	803	693	833
Rental and service income					4
	22,101	28,171	54,648	83,704	103,387
Cost of sales	17,061	16,915	30,283	36,374	37,459
Cost of rental and service	774	1,747	4,456	10,657	17,066
	17,835	18,662	34,739	47,031	54,525
Gross profit	4,266	9,509	19,909	36,673	48,862
Development and engineering expenses (b)	1,116	1,327	1,906	5,386	7,145
Selling, general and administrative expenses	5,667	6,325	11,374	17,583	24,272
Losses resulting from product lines sold or discontinued	2,554				
Interest expense	581	696	825	2,411	3,922
Other (income) deductions—net	(2)	(309)	427	145	(551)
	10,016	8,039	14,532	25,525	34,778
Income (loss) before items shown below	(5,750)	1,470	5,377	11,148	14,074
(Provision) credit for income taxes—					
Current	1,118	(23)	(2,730)	(5,077)	(6,823)
Deferred	22	64	384	108	(214)
Amount equivalent to reduction in income taxes arising from use of net operating loss carry-forwards		(835)	(1,004)	(457)	
Income (loss) before extraordinary items	(4,610)	676	2,027	5,722	7,037
Extraordinary items:					
Reduction in income taxes arising from use of net operating loss carry-forwards	17	835	1,004	457	
Charge relating to settlement of litigation	(177)				
Provision for loss on investment in and advances to unconsolidated foreign subsidiary		(185)			
Net income (loss)(d)	($ 4,770)	$ 1,326	$ 3,031	$ 6,179	$ 7,037
Average shares outstanding (c)	4,376,077	4,829,600	5,352,776	5,629,230	5,754,978
Per share of Common Stock:					
Income (loss) before extraordinary items	($1.05)	$.14	$.38	$1.02	$1.22
Extraordinary items—credit (charge)	(.04)	.13	.19	.08	
Net income (loss)	($1.09)	$.27	$.57	$1.10	$1.22

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NOTES TO PRO FORMA COMBINED STATEMENT OF INCOME

(a) Effect has been given to the elimination of intercompany sales and service income of the companies acquired. Sales from Mohawk to Atron and Colorado were not material.

(b) For the purposes of this statement, development expenses of Atron have been expensed in the year incurred and reclassified to develoment and engineering expenses for the period shown on a pro forma basis.

(c) Computed on the basis of the average number of Mohawk shares outstanding during each period, adjusted to give effect to the proposed 1 for 4 exchange of Mohawk common stock for Atron common shares, and the proposed 1 for 7 exchange of Mohawk common stock for Colorado common stock (based upon the average number of shares outstanding during each period).

(d) Effect has been given to the elimination of intercompany profit on sales from Colorado to Mohawk, net of income tax effect. Net sales of Colorado for the fiscal years ended May 31, 1966 through 1970 were $592,000, $570,000, $803,000, $1,844,000 and $1,287,000, respectively. There were no material intercompany sales during fiscal 1966 through 1968. Intercompany sales eliminated in fiscal 1969 and 1970 amounted to $1,151,000 and $511,000, respectively.

Net income (loss) of Colorado after tax provisions or credits for the fiscal years 1966 through 1970 was $47,000, ($7,000), ($21,000), $321,000 and ($121,000) respectively. Earnings (loss) per share during the same fiscal periods were $.15, ($.02), ($.05), $.64 and ($.21), respectively.

The elimination of intercompany profit on sales, net of tax effect, for fiscal 1969 and 1970 amounted to a reduction in the net income of the combined companies of $310,000 and $140,000, respectively, or a reduction of $.01 per share and $.07 per share, respectively.

After giving effect to the Agreements and Plans of Merger, and combining the results of operations of Mohawk for the three months ended October 31, 1970 with those of Atron for the three months ended December 31, 1970 and with those of Colorado for the three months ended August 31, 1970, and after elimination of intercompany sales, the comparative statement of income is as follows:

	Three Months Ended October 31,	
	1970	1969
	(000's omitted)	
Net sales	$10,535	$17,215
Rental and service income	11,665	7,915
	$22,200	$25,130
Net income	$ 990	$ 1,795
Net income per share of Common Stock	$.17	$.31

Such data are unaudited and, in the opinion of Mohawk, Colorado and Atron, reflect all adjustments (which include only normal recurring accruals) necessary for a fair presentation of the results shown for such periods.

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BUSINESS AND PROPERTIES OF ATRON

General

Atron was incorporated under the laws of the State of Minnesota on November 27, 1968. Its executive office and plant facilities are located at 1256 Trapp Road, St. Paul, Minnesota 55121, telephone number (612) 454-6150. Atron is engaged in the design, development, manufacture, systems engineering, programming, marketing and support of small computers and terminal systems.

The initial sales efforts were directed towards the sale of the small computer to original equipment manufacturers (OEM). The volume of sales did not develop to the extent anticipated due, in the opinion of Atron's management, to the downturn in the United States economy during 1970, which generally adversely affected the computer industry. Only a limited marketing organization to offer terminal systems to end users has been developed. See "Reasons for Merger and Recommendations of Directors."

Products

Atron's first product was the 501 Datamanager Computer made for the OEM market. The 501 Datamanager used as a programmable control unit receives data, alters the form of such data, does simple operations on the data and transmits the resulting information. With the use of adaptors, the control unit may be connected to printers, card and tape readers, magnetic tape units and communication lines to provide different combinations of data input, alteration, conversion and output functions.

Atron offers to end users a series of remote batch terminals which include the 501 Datamanager as the main processor. The 501 Datamanager and related interface equipment developed by Atron are combined with card readers, printers, disc units, magnetic tape units, teletypewriters and cathode ray tube display units. The terminal family offers a wide range of communication speeds, with card readers having a capacity of 225 to 1,000 cards per minute and line printers of 135 to 1,250 lines per minute.

Products recently developed or under development which Atron is offering or expects to offer during the current fiscal year include the following: (a) A high speed peripheral line printer subsystem for end users employing the 501 Datamanager. The subsystem includes a Mohawk high speed printer and magnetic tape unit. Engineering development of the subsystem is substantially complete. (b) A low speed multiplexer which permits the 501 Datamanager to communicate with from 8 to 32 common carrier communication lines and to act as a concentrator of information from other remote terminals. The first multiplexer was delivered in February 1971. (c) Flexible peripheral controllers for special purpose low cost control of peripheral devices. These controllers constitute the 601 Series of small computers which are smaller in capacity and cheaper than the 501 Datamanager. A prototype is in operation and the product is expected to be released for manufacturing in the near future. There is no assurance that any of the above described products, if marketed, will be profitable.

Since the technology involved in the design and manufacture of Atron's products and in the computer industry in general is complex and subject to constant change, Atron is committed to a program of continual improvement and refinement of its products.

Marketing

In the fiscal year ended September 30, 1970, sales to Mohawk of the 501 Datamanager and related equipment for integration by Mohawk into its off line print station systems constituted approximately

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90% of total sales. Such sales were made pursuant to a contract providing for the sale to Mohawk by Atron of the 501 Datamanager computer and related adaptor units, with certain required features, to the extent ordered by Mohawk. The contract provides that in the event Atron fails to deliver equipment or if Atron terminates the agreement without Mohawk being in default, Atron must, at the request of Mohawk, grant to Mohawk a non-exclusive license to make, sell and use the equipment covered by the agreement, with a royalty being payable after the first 100 units. Because Mohawk has already purchased a specified minimum number of units, Atron must under the agreement, should Mohawk so request, grant Mohawk a non-exclusive license to make, sell and use the equipment covered by the agreement, for which Mohawk would pay Atron $50,000 plus a royalty on all units sold or installed by it.

Production

Atron assembles the components of its products at its own plant. Most of the parts and materials used in the manufacture of the 501 Datamanager and its other products are purchased from independent suppliers. Peripheral devices, such as line printers and card readers, included in the systems are purchased principally from Mohawk. Purchases from Mohawk for the fiscal year ended September 30, 1970 and the four months ended January 31, 1971 were approximately $95,000 and $105,000 respectively. Atron is not dependent on any one supplier.

Competition

The areas of the computer industry in which Atron is engaged are highly competitive. Most competitors are larger than Atron and have financial resources far greater than those of Atron. Established computer manufacturers and other established manufacturers of peripheral equipment have offered, or have the capability and resources to develop and market, products comparable to those offered and proposed to be offered by Atron. In addition, Mohawk under its agreement with Atron, may under certain circumstances acquire a non-exclusive license to make and sell the 501 Datamanager. See "Marketing."

The computer industry in which Atron is active is noted for the frequent introduction of new and advanced techniques, products and services, and as such is subject to early technological obsolescence.

Employees

On January 31, 1971, Atron had 145 full time employees, of whom 12 were in administration, 21 in engineering, 75 in production, 13 in systems and programming and 24 in marketing, field service and support. On that date, Atron had 89 additional persons employed in assembly work on a part time or piece work basis.

Property

Atron's office and manufacturing facilities are located in St. Paul, Minnesota, in a new building of concrete block and brick construction, which was built to its design and is leased by it. The building contains 30,000 square feet, of which 5,000 square feet are used for administration offices and computer facilities, 5,000 square feet for engineering and accounting and 20,000 square feet for production. The basic term of the lease runs until December 31, 1979. The annual rent is $49,280 plus taxes, maintenance and insurance costs. Atron has an option to purchase the property in 1979 at the greater of $464,500 or the fair market value of the land and buildings as determined by arbitration. Sales offices located in the metropolitan areas of Boston, Dallas and Minneapolis are leased for terms of one to three years at annual rents aggregating $21,317.

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BUSINESS AND PROPERTIES OF MOHAWK

General

Mohawk, a New York corporation organized in 1964, is engaged in the design, development, manufacture and sale or rental, in a variety of markets, of electronic data processing equipment designed to be used in association with most computer systems. Its principal products are (1) data input devices, such as DATA-RECORDERS, used to transcribe information by use of a keyboard from source documents and other media directly to standard magnetic tape, which is then processed into a computer; (2) data communications devices used, in conjunction with telephone and other devices, to facilitate the transmission of data to and from various locations, which information can then be processed into a computer or received by other peripheral devices for print-out; (3) media conversion devices used to effect the conversion of information from one medium to another, such as punch card to magnetic tape or paper tape to magnetic tape; and (4) data output devices such as high and low speed printer systems incorporating a broad range of performance capabilities for use with computers and other information processing equipment. Other products include high speed digital listers for use in measurement equipment; various speed card punches and card readers; paper tape readers, interpreters and high speed punches; and specialized computer and other special purpose inked ribbons and perforated tags.

In February 1971 Mohawk announced its System 2400, a highly flexible system with a wide range of peripherals interfaced with an Atron 501 Datamanager computer. The new system was designed for use with the third generation of computers, and timed to coincide with the initial phase of the new IBM System/370 cycle. It should be noted that deliveries of the System 2400 are not scheduled to commence until late fiscal 1971, and there can be no assurance that Mohawk will be able to produce and market the System 2400 successfully.

Mohawk's principal executive offices are located on Palisade Street, Herkimer, N. Y. 13350 and its telephone number at such address is (315) 867-6000.

The term "Mohawk" as used herein means and includes Mohawk Data Sciences Corp. and all of its subsidiaries unless otherwise indicated or unless the context otherwise requires.

Proposed Merger of Colorado Instruments, Inc.

On March 11, 1971, Mohawk announced an agreement in principle with Colorado Instruments, Inc., providing for the merger of such corporation into a wholly-owned subsidiary of Mohawk and the issuance of one share of Common Stock of Mohawk for each seven outstanding shares of Colorado. If such merger is consummated, Mohawk will be obligated to issue an aggregate of approximately 81,600 shares of its Common Stock to the Colorado shareholders and assume the obligations of Colorado pursuant to its outstanding options and warrants, which may require Mohawk to issue up to approximately 10,100 additional shares. It is expected that such merger will be submitted to the shareholders of Colorado for approval at a meeting to be held during the latter part of May, 1971. The merger with Colorado is subject to the approval of the Board of Directors of Mohawk and to various conditions similar to those outlined on page 5 hereof with respect to the proposed merger of Mohawk and Atron. Mohawk can give no assurances that such merger will be consummated or, if consummated, will be effected on the terms set forth above.

Colorado was incorporated under the laws of the State of Colorado in 1961 and maintains executive offices and plant facilities in Broomfield, Colorado. Colorado's primary product is a source data collection system (the C-Dek system) providing for the acquisition of data at its point of origin, conversion thereof to computer-usable form and transmission, usually through a multiplexer, to a recorder for subsequent computer processing or directly on-line to the customer's own computer. Colorado also

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manufactures electro-mechanical and electronic components for a number of commercial and industrial customers, and performs custom system engineering services. Colorado is currently engaged in the development of a low-cost solid-state keyboard unit which it expects to manufacture and sell to original equipment manufacturers who use keyboards as part of their own input devices.

Since 1968 Colorado expended considerable efforts to build up the distribution of its source data collection equipment to the end user market, which involved substantial expansion of its marketing and engineering forces, necessitating corresponding expenditures. Although such efforts resulted in increased shipments, expansion in the end user market by Colorado required the placement of equipment under lease, as opposed to outright sale, with certain adverse effects on Colorado. Leasing of equipment placed a heavy strain on its working capital and cash position, and such situation was alleviated only in part through the use of third-party lessors, who advanced a portion of future rentals, as the tight money market during 1970 made it difficult for Colorado to obtain sufficient lease financing. In addition, the severe downturn in the U. S. economy adversely affected Colorado's shipments.

The following table sets forth the net sales, rental and service income and net earnings of Colorado for the periods indicated:

	Year Ended May 31,					Six Months Ended November 30,	
	1966	1967	1968	1969	1970	1970	1969
Net Sales.....	$591,644	$570,010	$802,896	$1,843,961	$1,286,616	$473,510	$723,519
Rental and Service Income	—	—	—	—	—	$ 22,539	—
Net Earnings (Loss)	$ 46,821	($6,694)	($20,862)	$ 321,016	($121,479)	($481,936)	$ 7,694

For the three months ended February 28, 1971 net revenues were $30,734 and the net loss was $315,532, or $.56 loss per share. For the comparable three month period ended February 28, 1970 net revenues were $117,340 and the net loss was $94,369, or $.16 loss per share. Such data are unaudited and in the opinion of Colorado reflect all adjustments (which include only normal recurring accruals) necessary for a fair presentation of the results shown for such periods.

Prior to 1968, Colorado's sales and marketing activities were limited to direct sales efforts by the home office staff, supplemented by manufacturers' representatives. In June 1968 Colorado entered into a marketing agreement with Mohawk, giving Mohawk certain exclusive worldwide rights to market the C-Dek system. Colorado retained the right to also market the system in competition with Mohawk, subject to certain limitations. In May 1970 Mohawk's exclusivity under the agreement expired. During fiscal year ended May 31, 1969, sales to Mohawk were $1,151,000, or 62% of total revenues. For the fiscal year ended May 31, 1970, sales to Mohawk decreased to $511,000, or 40% of total revenues, and for the six-month period ended November 30, 1970, sales to Mohawk were $204,000, or 41% of total revenues. The decline in sales to Mohawk during fiscal 1970 and the first six months of fiscal 1971 was attributable to a decrease in demand for Colorado's products by Mohawk's customers, causing Mohawk to reduce its orders from Colorado.

Marketing

Mohawk's customers may be divided into four main classifications: the customer which rents or buys Mohawk's equipment for its own use (an "End User"), the electronic data processing original equipment manufacturer ("OEM") which buys Mohawk's equipment for resale and as a component part of its own system, the United States Federal Government and the purchasers of supplies for data processing equipment.

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End User Market

In the End User market Mohawk's primary products are its DATA-RECORDER series and high and low speed printer systems, which are suitable for use with over 90% of the magnetic tape computers presently on the market, including most of the computer systems manufactured by International Business Machines Corporation, National Cash Register Company, Honeywell Information Systems Inc., RCA Corp., Control Data Corporation and others. Various models and configurations of models of the DATA-RECORDER series have applications in the data processing areas of computer input, transmission or communications, and media conversion (e.g. paper tape to magnetic tape, punch cards to magnetic tape). Other Mohawk products fill market needs in the areas of data collection and computer output.

During each of the fiscal years ended July 31, 1968, 1969 and 1970 substantially all of Mohawk's equipment shipped domestically to End Users was on a rental basis. Mohawk's basic domestic lease agreement provides for an initial term of 12 months and continues thereafter on a month to month basis until terminated by either party. Additional equipment may be included under the original lease with the result that equipment may in effect be rented under leases with a firm duration of only one month. Mohawk recently commenced a program of marketing its equipment to End Users pursuant to extended term leases ranging from two to five years, with options to extend for additional periods. Such leases provide the End User with significant discounts from the basic monthly rental charge applicable to a one year rental.

Equipment is distributed nationally to End Users through 78 regional offices in 38 states, and has been rented or sold to more than 2,800 End User customers. Multiple unit usage is common; most customers have two or more units and several have 200 or more.

OEM Market

The products sold to OEM customers include the DATA-RECORDER series, BUFFERED TAPE UNITS, printers and print heads, card readers and punches, and paper tape readers, punches and interpreters. Mohawk also sells a full complement of spare parts for such equipment. Mohawk's OEM sales distribution system has sales offices in 14 locations. OEM purchasers generally receive substantial volume discounts and normally market any products purchased from Mohawk under their own labels.

The single largest OEM customer in both the domestic and foreign markets is National Cash Register Company ("NCR"), which accounted for approximately 25%, 25% and 20% of total revenues during the fiscal years ended July 31, 1968, 1969 and 1970, respectively. Most sales to NCR are made pursuant to a contract, as amended, giving NCR the exclusive worldwide right, with the exception of Mohawk's sales force, to market the DATA-RECORDER series and certain other products. Such exclusivity will terminate in the event NCR fails to purchase products under the contract at the rate of 1500 units per annum, and will terminate outside of the United States and Canada in the event 800 units are not purchased per annum for use outside of the United States and Canada. Although shipments to NCR have recently decreased (see page 14 hereof), NCR is presently purchasing products at a level sufficient to maintain such exclusivity. Under the contract, NCR receives volume discounts for products purchased thereunder which vary according to the product and the aggregate annual volume of NCR purchases. Such contract may be terminated by either party upon 36 months' prior written notice.

U. S. Federal Government Market

Mohawk is marketing its equipment other than the DATA-RECORDER series on a rental and sales basis to the Federal Government and certain of its prime contractors. In addition, Mohawk sells spare parts to the purchasers of such equipment. NCR has the exclusive right to market the DATA-RECORDER series to the Federal Government until June 30, 1972, and thereafter unless terminated upon one year's

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prior written notice, except that under the NCR contract, as amended, the DATA-RECORDER series, if connected to a data processing system produced by Mohawk, may be marketed to the Federal Government by Mohawk.

Mohawk has recently contracted to supply the Army Electronics Command with high speed page printers for the military world-wide communications system known as the Automatic Digital Information Network ("Autodin"). Mohawk previously had supplied said agency with printers under the Autodin program. Deliveries under such contract are to commence in November 1971 and continue until August 1972. Mohawk has also subcontracted with one of the prime contractors in the Autodin program to deliver card punches and high speed interpreters during the period from June 1971 until March 1972. It is expected that the revenues to be received by Mohawk from such contracts will approximate $2,400,000.

Supplies Market

Mohawk produces specialized computer and other special purpose inked ribbons for the supplies market; it also manufactures and sells paper tickets for its data collection system to the retail, garment and textile industries.

Foreign Operations

Mohawk distributes its products through 75 sales and service offices in Canada, Belgium, The Netherlands, France, Great Britain, Italy, West Germany, Switzerland, Denmark and Ireland and through foreign representatives in 51 other countries. Mohawk has manufacturing facilities in Menden, West Germany and Eaglescliffe, England. See "Plant and Personnel."

Production

Production operations involve the assembling of parts, components and units purchased from others, and the manufacturing of mechanical and printed circuit components. Alternate sources are available for most items purchased. Mohawk's engineering staff has designed many of the special devices employed to accelerate the intricate assembly processes while adhering to rigid quality standards.

Revenues

Sales of Mohawk's products accounted for approximately 83%, 73% and 63% of total revenues for the fiscal years ended July 31, 1968, 1969 and 1970, respectively, and the balance was represented by rental and service income. See Mohawk's Consolidated Statement of Income on page 12 hereof. All of Mohawk's products are electronic data processing equipment and supplies therefor.

Foreign operations accounted for approximately 13%, 22% and 30%, respectively, of total revenues for the fiscal years ended July 31, 1968, 1969 and 1970. The percentage of such revenues attributable to sales and to rentals was substantially similar to that of domestic operations. It is Mohawk's policy to price equipment sold abroad so that the gross profit margin on foreign and domestic sales is not significantly different. However, because a larger percentage of sales abroad is to independent distributors and End Users, as contrasted with the high percentage of domestic sales to OEM customers, as well as because of differences in foreign and domestic tax rates, wage and salary costs, and other factors, Mohawk's net profit as a percentage of revenues on foreign operations is somewhat higher than on domestic operations. This may not continue to be so in the future.

Engineering

Mohawk's engineering program is directed primarily towards the design and development of new products for the data processing industry and is oriented to applications and systems engineering in the areas of primary concern to Mohawk and other data processing original equipment manufacturers: the

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data input, data communications, media conversion and data output fields. In addition, the engineering department provides substantial assistance and support to Mohawk's manufacturing and marketing operations. Mohawk employed 120 engineers at January 31, 1971.

Mohawk holds numerous patents (including a patent issued in December, 1969 on certain features of the DATA-RECORDER) and has applied for additional patents. While Mohawk feels that these patents and applications, and additional patents that may be applied for, are and will be of value, it believes such patents and applications will not be determinative of Mohawk's success, which depends principally upon its manufacturing, engineering, marketing and service skills and the quality and economic value of its products rather than upon patent protection.

Competition

In the electronic data processing field, competition is intense and technological advances are rapid. Mohawk encounters active competition from a number of independent manufacturers of recording devices, printers and other peripheral equipment for electronic data processing systems and from certain large computer manufacturers which produce such equipment for their own use and compete by offering such equipment to other systems manufacturers. Some of these competitors have far greater resources and facilities than Mohawk and, considered in the aggregate, compete in the entire line of equipment marketed by Mohawk.

Plant and Personnel

Mohawk has its principal office in Herkimer, New York and its financial and legal office in New York, New York. Its chief manufacturing facilities are in Herkimer, New York; Stoneham, Massachusetts; King of Prussia, Pennsylvania; and Menden, West Germany; with other production facilities in New York, California and England. There are a total of 79 Mohawk sales and service offices throughout the United States. All of such offices (as well as all such offices in foreign countries) maintain a supply of spare parts and equipment to help implement support given to customers by Mohawk-trained field service engineers.

In Herkimer, Mohawk carries on manufacturing operations and applications and systems engineering functions in three buildings, aggregating approximately 300,000 square feet, all of which buildings are of masonry and steel frame construction, located on approximately 38 acres of land owned by Mohawk. See "Capital Structure" for information with respect to mortgages on the buildings. Mohawk's research and development facilities in Stoneham, Massachusetts consist of two buildings aggregating 65,000 square feet. Mohawk's operations in King of Prussia, Pennsylvania are conducted in two leased plants aggregating 100,000 square feet. Mohawk's West German subsidiary manufactures DATA-RECORDERS and printers in a 56,000 square-foot plant in Menden, West Germany. Mohawk's other manufacturing facilities aggregate approximately 63,500 square feet, of which approximately 32,500 square feet of space are owned and the balance leased, as are its sales and service offices in the United States and abroad. Mohawk maintains schools in Herkimer and Menden for training its salesmen and field service engineers and the personnel of its customers. Mohawk also owns two warehouses, aggregating approximately 140,000 square feet, and leases an additional 18,600 square feet of warehousing space. See Note J of Notes to Mohawk's Financial Statements with respect to annual rentals payable.

As of January 31, 1971, Mohawk employed 3,065 persons on a full time basis in its domestic operations. Mohawk's personnel were assigned as follows: engineering—305, including 120 engineers; sales and field service—866; manufacturing and quality control—1,691; and general management and administration—203. As of January 31, 1971, approximately 1,300 additional persons were employed in Mohawk's foreign operations. Mohawk believes that its relations with its employees are excellent.

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MANAGEMENT OF MOHAWK

The following table sets forth certain information as to each of the present directors of Mohawk:

Name	Principal Occupation	A Director Since	Shares of Common Stock Owned Beneficially as of December 31, 1970
Robert Groben	Partner in Ferris, Hughes, Dorrance & Groben, Utica, New York, attorneys	1964	17,112 (1)
V. E. Johnson*	Chairman of the Board of Mohawk	1964	257,270
Paul R. Judy	President of A. G. Becker & Co. Incorporated, investment bankers	1965 and since February, 1967	1,550 (2)
Richard L. Karpen	Executive Vice President of Mohawk	1969	2,200
Lorne H. King	Retired	1966	49,100
Max Philipson	President of Max Philipson & Co., Inc., securities dealers	1964	93,688 (3)
Richard P. Rifenburgh*	President of Mohawk	1964	77,705 (4)
Theodore D. Robinson	Consultant to Mohawk	1970	48,354 (5)
Herbert Roth, Jr.	President of LFE Corporation, a manufacturer of electronics apparatus and systems	1967	4,[illegible]4
Patrick B. Smith	Vice President of Mohawk	1969	16,094
Otto Stitz	President of MDS-International, Inc., a subsidiary of Mohawk	1967	3,333
Wayne Wells*	Executive Vice President and Treasurer of Mohawk	1968	200

*Member of the Executive Committee. Messrs. Karpen and Stitz are alternate members.

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(1) Excludes a total of 400 shares owned by Mr. Groben's wife, the beneficial ownership of which is disclaimed by Mr. Groben.

(2) In addition, The Paul R. Judy Foundation, of which Mr. Judy is President and a director, holds of record and beneficially $14,000 principal amount of Mohawk's 5½% Convertible Subordinated Debentures due December 15, 1994, which are convertible into shares of Common Stock of Mohawk at $85.50 per share. Mr. Judy disclaims beneficial ownership of such securities.

(3) Excludes a total of 30,000 shares owned by Mr. Philipson's wife. In addition, The Max and Ruth C. Philipson Foundation, of which Mr. Philipson is a controlling person, holds of record and beneficially $25,000 principal amount of Mohawk's 5½% Convertible Subordinated Debentures due December 15, 1994. Mr. Philipson disclaims beneficial ownership of any of such securities.

(4) In addition, 43,534 shares are owned by a corporation presently controlled by trusts for members of Mr. Rifenburgh's family other than himself, and 255 shares are owned by trusts for the benefit of his children. Mr. Rifenburgh disclaims any beneficial interest in the ownership thereof.

(5) Excludes a total of 425 shares owned by Mr. Robinson's wife and minor daughter, the beneficial ownership of which is disclaimed by Mr. Robinson.

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Messrs. Johnson, Rifenburgh and Smith have been with Mohawk since its inception in 1964. Mr. Wells joined Mohawk in February, 1968, having been a partner of S. D. Leidesdorf & Co., certified public accountants, for the three previous years. Mr. Karpen has been with Mohawk since September, 1967, prior to which he had been with Control Data Corporation for more than the previous two years, his last position there being Director of Engineering of the Government Systems Division. Mr. Stitz has been with Mohawk since April, 1967, and before that was with Remington Rand G.m.b.H. in Germany for 17 years. Messrs. King and Robinson were founders of Mohawk and were employed by Mohawk until their retirement in 1969 and 1970, respectively. Messrs. Philipson and Groben have held their present positions for more than the past five years and Mr. Judy has been with A. G. Becker & Co. Incorporated for ten years, having been its president since 1968. Mr. Roth had been president of Anelex Corporation prior to its merger into Mohawk in October, 1967, and was president of Mohawk's subsidiary of such name until March, 1968 when he became president of LFE Corporation.

Remuneration of Directors and Officers

The aggregate remuneration paid by Mohawk and its subsidiaries for services in all capacities during the fiscal year ended July 31, 1970 to each person who was a director at any time during such fiscal year whose aggregate direct remuneration exceeded $30,000 and to each of the three highest paid officers of Mohawk, and to all persons as a group who were directors or officers of Mohawk at any time during such fiscal year, and the estimated annual retirement benefits of each individual named below under Mohawk's Pension Plan, were as follows:

Name of Individual or Number of Persons in Group	Capacities in Which Remuneration Was Received (1)	Aggregate Direct Remuneration	Estimated Annual Pension Benefits Upon Retirement (2)
V. E. Johnson	Chairman of the Board of Mohawk	$ 75,000	$2,263
Richard P. Rifenburgh	President of Mohawk	61,667	5,766
Wayne Wells	Executive Vice President and Treasurer of Mohawk	61,250	3,876
Richard L. Karpen	Executive Vice President of Mohawk	51,500	4,300
Otto Stitz	Officer of Mohawk's European subsidiaries	50,833	4,030(3)
Patrick B. Smith	Vice President of Mohawk	50,667	2,727
Herbert Roth, Jr.	Consultant to Mohawk	31,111	—
All directors and officers as a group (22 persons)		733,013	—

(1) Until June 11, 1970 Mr. Johnson was President of Mohawk as well as Chairman of the Board, Mr. Rifenburgh was Executive Vice President and Secretary, Mr. Wells was Financial Vice President and Treasurer and Mr. Karpen was a Vice President. The remuneration received in such capacities by them is included hereunder.

(2) Assuming that (i) each such individual will retire at normal retirement age (65), (ii) each will be paid at least $20,000 per year until retirement, (iii) benefits under the Pension Plan are not altered prior to retirement, and (iv) all actuarial costs and expenses of the Pension Plan are paid by Mohawk.

(3) Mr. Stitz does not participate in Mohawk's Pension Plan but similar benefits are provided for him pursuant to arrangements with subsidiaries of Mohawk.

Plaintiffs' Exhibit 18

Mr. Stitz has entered into employment contracts with certain of Mohawk's European subsidiaries, expiring in 1975 and renewable thereafter on a year-to-year basis, providing for aggregate annual remuneration of approximately $60,000.

Under Mohawk's Profit-Sharing Retirement Plan for Employees, benefits are accrued for domestic employees. An amount equal to approximately 3% of Mohawk's consolidated net profits before income taxes is contributed to such Plan for each fiscal year. The contribution is allocated equally among all participants up to $200. Any excess contribution above such amount is allocated among all participants based on salary up to a maximum of $20,000 per year. Messrs. Johnson, Rifenburgh, Wells, Karpen and Smith are participants in such Plan, and each has accrued benefits thereunder in the amount of $237.

Interest in Certain Transactions

A. G. Becker & Co. Incorporated, of which Paul R. Judy is president, and Max Philipson & Co., Inc., of which Max Philipson is president, received $161,340 and $2,250, respectively, as gross underwriting discounts in connection with the sale in December, 1969 of Mohawk's 5½% Convertible Subordinated Debentures due December 15, 1994.

STOCK OPTIONS OF MOHAWK

On July 9, 1970 the Board of Directors of Mohawk adopted the 1970 Stock Option Plan (the "1970 Plan"), providing for the granting to key employees of Mohawk and its subsidiaries of options to purchase an aggregate of 400,000 shares of Common Stock of Mohawk. The 1970 Plan was ratified and adopted at the Annual Meeting of Stockholders held November 17, 1970.

At July 9, 1970, there were outstanding options covering 177,600 shares of Mohawk Common Stock which had been granted prior to that date (a) under Mohawk's qualified stock option plans, (b) to foreign employees of Mohawk's subsidiaries (either individually or pursuant to a plan), and (c) in connection with the merger into Mohawk of Anelex Corporation. On such date all employees holding the foregoing options ("old options") were granted options under the 1970 Plan to purchase a number of shares of Mohawk Common Stock equal to the total number of shares covered by all old options held by them. These 1970 Plan options are exercisable at a price of $23.00 per share, which was the approximate fair market value of Mohawk's Common Stock on the date of grant. Of such options, Messrs. Wells and Karpen hold options covering 12,000 shares and 8,000 shares, respectively, and directors and officers as a group hold options covering an aggregate of 36,200 shares. These persons hold old options to purchase an equal number of shares at an average exercise price of $65.68. Such 1970 Plan options provide that upon exercise thereof all old options held by such optionee will be cancelled. Likewise, any exercise of an old option automatically terminates an optionee's 1970 Plan option. Upon adoption of the 1970 Plan by the stockholders, Mohawk terminated its existing option plans, except for options outstanding thereunder. Additional options under the 1970 Plan have been granted to Messrs. Rifenburgh, Karpen, Stitz and Smith, covering 10,000, 2,000, 7,500 and 5,000 shares, respectively, and to all directors and officers as a group covering 36,500 shares, all of which are exercisable at $23.00 per share, except for two options, covering 2,000 shares and 1,000 shares, exercisable at $27.25 and $30.00 per share, respectively.

OTHER MATTERS

The Board of Directors is not aware of any matter, other than as stated above, which will or may properly be presented for action at the meeting. If any other matters properly come before the meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares represented by such proxies in accordance with their best judgment.

Plaintiffs' Exhibit 18

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES AND ATRON CORPORATION

PRO FORMA CONDENSED COMBINED BALANCE SHEET AS AT JULY 31, 1970
(Unaudited)

The following unaudited pro forma condensed combined balance sheet has been prepared by combining the balance sheet of Mohawk as at July 31, 1970 with the balance sheet of Atron as at September 30, 1970, giving effect to the proposed Agreement and Plan of Merger (described elsewhere herein) on a pooling-of-interests basis. This statement should be read in conjunction with the other financial statements and notes thereto included elsewhere in this proxy statement.

ASSETS

(000's omitted)

	Mohawk	Atron	Pro Forma Adjustments	Mohawk and Atron Combined
Current Assets:				
Cash	$ 9,357	$3,109		$ 12,466
Accounts receivable, net	16,592	333		16,925
Inventories	40,774	498	($200) (C)	41,072
Other	1,542	11		1,553
Total Current Assets	68,265	3,951		72,016
Rental Machines, net	40,549	82		40,631
Fixed Assets, net	15,005	244		15,249
Other Assets	5,615	323	(323) (B) (191) (A)	5,424
	$129,434	$4,600		$133,320

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:				
Notes payable	$ 14,502			$ 14,502
Accounts payable	7,812	$ 201		8,013
Federal and foreign income taxes	5,355		100 (C)	5,255
Other	5,614	103		5,717
Total Current Liabilities	33,283	304		33,487
Convertible Debentures	45,000			45,000
Other Liabilities	4,589			4,589
Stockholders' Equity—				
Common Stock	578	215	193 (A)	570
Capital in Excess of Par Value	30,084	5,168	(2) (A)	35,254
Retained Earnings	15,930	(1,087)	100 (C) 323 (B)	14,420
Total Stockholders' Equity	46,562	4,296		50,244
	$129,434	$4,600		$133,320

NOTES:

(A) The accounts have been adjusted to reflect the issuance of 1 share of Mohawk common stock for each 4 common shares of Atron. Based upon the outstanding shares of Atron (other than those held by Mohawk, which have been eliminated above) as at September 30, 1970, the pro forma statement reflects the issuance of 222,955 shares of Mohawk common stock.

(B) For the purposes of this statement development expenses of Atron have been expensed in the year incurred.

(C) Effect has been given to the elimination of intercompany profit on sales from Atron to Mohawk, net of the income tax effect.

(D) No provision has been made in the pro forma balance sheet for expenses incident to the proposed merger.

Plaintiffs' Exhibit 18

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES
ATRON CORPORATION AND COLORADO INSTRUMENTS, INC.
PRO FORMA CONDENSED COMBINED BALANCE SHEET AS AT JULY 31, 1970
(Unaudited)

The following unaudited pro forma condensed combined balance sheet has been prepared by combining the pro forma combined balance sheet of Mohawk as at July 31, 1970 and Colorado as at May 31, 1970 and the balance sheet of Atron as at September 30, 1970, giving effect to the proposed Agreements and Plans of Merger (described elsewhere herein) on a pooling-of-interests basis. This statement should be read in conjunction with the other financial statements and notes thereto included elsewhere in this proxy statement.

ASSETS

(000's omitted)

	Mohawk and Colorado Combined	Atron	Pro Forma Adjustments	Mohawk, Atron and Colorado Combined
Current Assets:				
Cash	$ 9,695	$3,109		$ 12,804
Accounts receivable, net	16,936	333		17,269
Inventories	40,531	498	($200) (C)	40,829
Other	1,726	11		1,737
Total Current Assets	68,888	3,951		72,639
Rental Machines, net	40,273	82		40,355
Fixed Assets, net	15,383	244		15,627
Other Assets	5,764	323	(323) (B) (191) (A)	5,573
	$130,308	$4,600		$134,194

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:				
Notes payable	$ 14,507			$ 14,507
Accounts payable	7,954	$ 201		8,155
Federal and foreign income taxes	4,907		100 (C)	4,807
Other	5,819	103		5,922
Total Current Liabilities	33,187	304		33,391
Convertible Debentures	45,000			45,000
Other Liabilities	4,675			4,675
Stockholders' Equity—				
Common Stock	556	215	193 (A)	578
Capital in Excess of Par Value	31,395	5,168	(2) (A)	36,565
Retained Earnings	15,495	(1,087)	100 (C) 323 (B)	13,985
Total Stockholders' Equity	47,446	4,296		51,128
	$130,308	$4,600		$134,194

Plaintiffs' Exhibit 18

NOTES TO PRO FORMA CONDENSED COMBINED BALANCE SHEET

(A) The accounts have been adjusted to reflect the issuance of 1 share of Mohawk common stock for each 4 common shares of Atron. Based upon the outstanding shares of Atron (other than those held by Mohawk, which have been eliminated above) as at September 30, 1970, the pro forma statement reflects the issuance of 222,955 shares of Mohawk common stock.

(B) For the purposes of this statement development expenses of Atron have been expensed in the year incurred.

(C) Effect has been given to the elimination of intercompany profit on sales from Atron to Mohawk, net of the income tax effect.

(D) No provision has been made in the pro forma balance sheet for expenses incident to the proposed merger.

(E) The combined balance sheet of Mohawk and Colorado has been adjusted to give effect to the elimination of intercompany profit on sales from Colorado to Mohawk, net of the income tax effect, resulting in decreases in the amount of $620,000 in the combined inventories, $276,000 in rental machines, $448,000 in Federal income taxes accrued and a reduction in retained earnings of $448,000.

The accounts have also been adjusted to reflect the issuance of 1 share of Mohawk common stock for each 7 shares of Colorado common stock. Based upon the outstanding shares of Colorado as of May 31, 1970, the pro forma statement reflects the issuance of 81,522 shares of Mohawk common stock. This resulted in an adjustment of $564,000 to Capital in Excess of Par Value.

Plaintiffs' Exhibit 18

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To The Board of Directors and Stockholders
of Atron Corporation

We have examined the balance sheet of Atron Corporation as of September 30, 1970, the statement of operations and deficit for the year then ended and the statement of common shares and capital contributed in excess of par value from incorporation, November 27, 1968 to September 30, 1970. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accompanying financial statements show as an asset unrecovered promotional and developmental costs, net of amortization, of $323,219 referred to in Note A to the financial statements. Recovery of these costs is dependent upon the future success of operations.

In our opinion, subject to the future realization of the item referred to in the preceding paragraph, the statements identified above present fairly the financial position of Atron Corporation at September 30, 1970, the results of its operations and deficit for the year then ended and the changes in common shares and capital contributed in excess of par value from incorporation, November 27, 1968 to September 30, 1970, in conformity with generally accepted accounting principles.

HURDMAN AND CRANSTOUN, PENNEY & CO.

New York, New York
December 3, 1970

Plaintiffs' Exhibit 18

ATRON CORPORATION

BALANCE SHEET

September 30, 1970

ASSETS

Current assets:	
Cash	$ 30,270
Temporary investments, at cost plus accrued interest, approximating market (Note B)	3,079,020
Accounts receivable (net of allowance for doubtful accounts—$4,500)	333,411
Inventories, at the lower of average cost or market:	
Finished goods	54,493
Work in process	174,219
Raw material and components	269,619
Prepaid expenses	11,030
Total current assets	3,952,062
Rental and demonstration equipment, at cost less accumulated depreciation of $5,830 (Note C)	81,568
Equipment, furniture and leasehold improvements, at cost (Note C):	
Plant and engineering equipment	193,290
Office furniture and equipment	58,561
Leasehold improvements	15,623
	267,474
Less accumulated depreciation	23,012
	244,462
Unrecovered promotional and developmental costs, net of amortization of $161,609 (Note A)	323,219
	$ 4,601,311

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Accounts payable	$ 201,387
Accrued salaries, wages and vacation pay	75,476
Payroll taxes withheld	12,972
Accrued taxes, other than income	14,536
Total current liabilities	304,371
Commitments (Note D)	
Stockholders' equity (Notes E and F):	
Common shares, par value $.20 per share: Authorized, 1,500,000 shares Issued, 1,093,323 shares	218,665
Capital contributed in excess of par value	5,169,579
Deficit	(1,087,304)
	4,300,940
Less 6,500 shares held in treasury, at cost	4,000
	4,296,940
	$ 4,601,311

The accompanying notes are an integral part of the financial statements.

Plaintiffs' Exhibit 18

ATRON CORPORATION

STATEMENT OF COMMON SHARES AND CAPITAL CONTRIBUTED IN EXCESS OF PAR VALUE

From Incorporation, November 27, 1968 to September 30, 1970

	Number of shares	Par value of common shares	Capital contributed in excess of par value
Issued 1,425,00 common shares, $.10 par value	1,425,000	$142,500	$ 738,750
Effect of 1-for-2 reverse split on July 31, 1969	(712,500)		
	712,500	142,500	738,750
Sale of 80,000 common shares, $.20 par value	80,000	16,000	484,000
Sale of warrants to purchase 20,000 common shares			2,000
	792,500	158,500	1,224,750
Less expenses incurred during the period related to:			
Issuance of common shares			(38,316)
Registration of 150,000 units			(15,001)
Balance, September 30, 1969	792,500	158,500	1,171,433
Sale of 150,000 units consisting of two common shares and a warrant to purchase one common share, net of related expenses incurred during the year of $58,335	300,000	60,000	3,996,665
Sale of common shares pursuant to exercise of options	823	165	1,481
Balance, September 30, 1970	1,093,323	$218,665	$5,169,579

The accompanying notes are an integral part of the financial statements.

Plaintiffs' Exhibit 18

ATRON CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 1970

Note A. UNRECOVERED PROMOTIONAL AND DEVELOPMENTAL COSTS:

The Company was incorporated in Minnesota on November 27, 1968.

To September 30, 1969, the Company engaged in arranging for facilities, developing operating and administrative procedures, and developing its initial products. These costs totalled $484,828 (net of $24,958 in revenues during the preoperating stage).

The Company commenced amortization of these costs on October 1, 1969, when regular production began. The Company intends (subject to revision, if necessary) to amortize fully these costs over a period of 36 months. Amortization for the year ended September 30, 1970 totalled $161,609. Since October 1, 1969, the Company has charged all additional product development to operations.

Note B. TEMPORARY INVESTMENTS:

During the period from incorporation to September 30, 1970, the Company has invested funds received from the sales of common shares, not immediately required for corporate purposes, in United States Government securities, certificates of deposit and other corporate indebtedness. As of September 30, 1970, temporary investments included $2,237,954 of certificates of deposit, $101,319 of United States Treasury bills, both at cost plus accrued interest and non-transferable participation certificates totalling $700,000 plus accrued interest of $39,747 which latter represents participations with a bank in unsecured short-term corporate notes maturing to December 28, 1970.

Note C. EQUIPMENT, FURNITURE AND LEASEHOLD IMPROVEMENTS:

It is the policy of the Company to provide depreciation on equipment, furniture and leasehold improvements by charges to operations, computed on the straight-line method, over their estimated useful lives as follows—

Rental and demonstration equipment	4 years
Plant and engineering equipment	4 - 8 years
Office furniture and equipment	8 years
Leasehold improvements	3 - 10 years

The Company charges operations with the cost of maintenance and repairs. Renewals and betterments are capitalized. On retirement or sale, the difference between cost less accumulated depreciation and the proceeds therefrom, is charged or credited to operations.

Note D. COMMITMENTS:

The Company leases its office, engineering and manufacturing facilities under a lease which runs to December 31, 1979, with options to renew for two successive ten-year periods, with annual payments aggregating $32,500 plus real estate taxes, insurance, repairs and maintenance. The Company has an option to purchase this property in 1979 at the greater of $314,500 or the fair market value of the land and buildings as determined by arbitration.

The Company requested the lessor to construct a 10,000 square foot expansion to the building, which addition was substantially completed in November, 1970. The increase in annual rental as a result of this addition is expected to be approximately $17,000 and the stated purchase price is expected to increase by approximately $150,000.

In addition, the Company has entered into leases covering sales offices as follows:

Location	Term	Expiration Date	Annual Rental
Bloomington, Minn.	One year	2/28/71	$ 5,481
Waltham, Mass.	Three years	3/31/73	7,148
Dallas, Texas	Three years	2/28/73	8,688
			$21,317

Plaintiffs' Exhibit 18

ATRON CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

September 30, 1970

Note E. STOCKHOLDERS' EQUITY:

On September 17, 1969, the Company sold for $1,000 each, two Special Warrants to purchase 10,000 common shares each. The Special Warrants have an eight year term. One Special Warrant provides for a purchase price of $15.00 per share and the other provides for a purchase price of $6.25 per share during the first five years and $15.00 per share during the following three years.

On January 23, 1970, the Company sold 150,000 units each consisting of two common shares and a warrant to purchase one common share. The warrants are exercisable at any time prior to January 31, 1975 at an exercise price of $17.00 per share subject to adjustment for anti-dilution and other provisions.

None of the above warrants have been exercised.

Note F. STOCK OPTIONS:

In December, 1968, the Company adopted a Stock Option Plan intended to conform with the requirements for "qualified stock options" as defined in Section 422 of the Internal Revenue Code. Under this plan, the Company has authorized the granting of stock options for 50,000 common shares to key employees. The period following the date of grant during which an option may be exercised may not exceed five years. No option is exercisable during the first year following the date of grant and thereafter not more than 25% of the shares subject to the option may be purchased each year. The option price shall not be less than the fair market value of the common shares at the time the option is granted.

Other information with respect to these options is set forth in the following tabulation:

	Number of shares	Option Price		Fair Value	
		Range per shrre	Total	Range per share	Total
Shares under option and fair value at date options were granted:					
September 30, 1969.....	29,275	$2.00-$ 6.25	$ 66,838	$2.00-$ 6.25	$ 66,838
September 30, 1970	35,839	2.00- 15.00	176,612	2.00- 15.00	176,612
Options which became exercisable and fair value of shares when exercisable:					
September 30, 1969	—	—	—	—	—
September 30, 1970	7,306	2.00- 6.25	16,676	2.67- 15.00	65,083
Options exercised and fair value of shares when exercised:					
September 30, 1969	—	—	—	—	—
September 30, 1970	823	2.00- —	1,646	3.38- 4.87	3,245

As of September 30, 1970, 49,177 shares were reserved for issuance on exercise of options.

Plaintiffs' Exhibit 18

ATRON CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

September 30, 1970

Note G. SUPPLEMENTARY PROFIT AND LOSS INFORMATION:

Fiscal Year Ended in 1970

Item	Charged Directly to Profit and Loss: Cost of Goods Sold	Charged Directly to Profit and Loss: Other Profit and Loss Accounts	Total
Maintenance and repairs	$ 3,308	$ 5,286	$ 8,594
Depreciation and amortization:			
Depreciation	8,573	18,509	27,082
Amortization of developmental costs	—	161,609	161,609
Taxes, other than taxes on income:			
Payroll taxes	21,768	35,503	57,271
Personal property taxes	1,105	1,105	2,210
Rents	15,728	46,521	62,249

There were no management or service contract fees.

Plaintiffs' Exhibit 18

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
Mohawk Data Sciences Corp.

We have examined the consolidated balance sheet of Mohawk Data Sciences Corp. and subsidiaries as at July 31, 1970, and the related consolidated statements of income, capital in excess of par value and retained earnings for the three years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned consolidated financial statements present fairly the consolidated financial position of Mohawk Data Sciences Corp. and subsidiaries at July 31, 1970 and the consolidated results of their operations for the three years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

S. D. LEIDESDORF & CO.

New York, N.Y.
September 16, 1970

Plaintiffs' Exhibit 18

MOHAWK DATA [illegible]NCES CORP. AND SUBSIDIARIES

CONSOLI[illegible]TED BALANCE SHEET

As at July 31, 1970

	(000's Omitted)
ASSETS	
Current Assets:	
Cash (including time deposits of $1,485,000)	$ 9,357
Accounts receivable — principally trade, less allowance of $873,000 for doubtful accounts	16,592
Inventories, at lower of cost or market — Note B	40,774
Other	1,542
Total Current Assets	68,265
Rental Machines — at cost of production, less accumulated depreciation of $15,123,000 — Note C	40,549
Fixed Assets — at cost, less accumulated depreciation of $6,057,000 — Notes C and G	15,005
Excess of Cost over Underlying Book Equity of Companies Acquired — Note A	2,442
Other Assets — Note D	3,173
	$129,434
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Notes payable — Note J	$ 14,440
Current portion of long term debt — Note G	62
Accounts payable	7,812
Federal and foreign income taxes — Note E	5,355
Salaries, wages and commissions	917
Taxes accrued and withheld	1,796
Other (including accrued interest of $483,000)	2,901
Total Current Liabilities	33,283
Convertible Debentures — Note F	45,000
Mortgages Payable and Other Long Term Debt — Note G	2,143
Unamortized Investment Tax Credits — Note E	1,070
Deferred Income Taxes ($643,000) and Other Credits — Note E	1,376
Stockholders' Equity — Notes A, F and I:	
Common Stock, par value $.10 per share; authorized 15,000,000 shares; issued and outstanding 5,483,591 shares	548
Capital in Excess of Par Value — see accompanying statement	30,084
Retained Earnings — see accompanying statement	15,930
Total Stockholders' Equity	46,562
Contingencies, Commitments and Other Comments — Note J	
	$129,434

The accompanying notes are an integral part of this statement.

Plaintiffs' Exhibit 18

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITAL IN EXCESS OF PAR VALUE AND RETAINED EARNINGS

	*Fiscal Periods Ended in (000's Omitted)		
	1968	1969	1970
Capital in Excess of Par Value:			
Balance at beginning of year — Note A	$21,424	$27,752	$28,834
Credits (charges) arising from — Notes A and I:			
Excess of net proceeds from sale of Common Stock (including shares issued upon exercise of stock options and stock purchase plan — Note I) over the par value thereof — 94,172, 3,073 and 8,078 shares, respectively	596	54	.328
Excess of principal amount of convertible debentures over the par value of 100,000 and 25,997 shares, respectively, of Common Stock exchanged therefor, net of related debt expense	610	1,028	
Excess of net proceeds over the par value of 12,769 shares issued upon exercise of the Common Stock Purchase Warrants			922
Pooling-of-interests (transactions subsequent to July 31, 1967)	1,292		
Issuance of Common Stock for the purchase of a company	4,102		
Stock split	(272)		
Balance at end of year	$27,752	$28,834	$30,084
Retained Earnings:			
Balance (deficit) at beginning of year	($ 2,097)	$ 954	$ 7,607
Net income for the year	3,051	6,653	8,323
Balance at end of year	$ 954	$ 7,607	$15,930

*See Note (a) to the consolidated statement of income.

Numbers of shares shown above have been adjusted to give effect to the 2 for 1 stock split in July 1968.

The accompanying notes are an integral part of these statements.

Plaintiffs' Exhibit 18

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

Note A. PRINCIPLES OF CONSOLIDATION:

The accompanying financial statements include in consolidation the accounts of all domestic subsidiaries for all periods and foreign subsidiaries commencing with the 1968 fiscal year (see below). The financial statements include on a pooling-of-interests basis, the consolidated accounts of Anelex Corporation, Soroban Engineering, Inc. and Ohr-Tronics, Inc., three companies acquired during fiscal 1968 in exchange for an aggregate of 1,144,946 shares (adjusted for 2 for 1 stock split in July 1968) of Common Stock. See Note (a) to the consolidated statement of income. A fourth company (H. M. Storms Company) was acquired in 1968 in exchange for 46,906 shares (adjusted for the stock split) of Common Stock and its accounts have been included in the consolidated statement of income from the date of purchase.

Excess of cost over underlying book equity of companies acquired is principally applicable to the above purchased company. Amortization of such intangibles was discontinued in 1969, since, in the opinion of management, there has been no diminution of value; the effect of such change was immaterial.

All material intercompany items and transactions have been eliminated in consolidation. Investments in subsidiaries are reflected on the books of the parent company on the equity method of accounting.

The accounts of foreign subsidiaries have been translated into United States dollars at appropriate historical, average or current rates of exchange. The net unrealized gains or losses on translation (not material) have been credited or charged to income.

Included in the accompanying consolidated balance sheet as at July 31, 1970 are the following amounts applicable to the foreign subsidiaries (exclusive of intercompany balances):

	(000's Omitted)
Current assets	$16,398
Current liabilities	(14,576)
Rental machines — net	15,994
Other liabilities — net	(248)
Net assets	$17,568

Foreign subsidiaries have pledged approximately $5,700,000 of assets as collateral for short-term loans.

Foreign operations resulted in net income for fiscal 1970 of approximately $3,500,000 and for fiscal 1969 of approximately $1,990,000 and a net loss for fiscal 1968 of approximately $211,000. Prior to August 1, 1967, the activities of the foreign subsidiaries consisted almost entirely of start-up operations and net costs prior to that date were deferred to be amortized over the subsequent three-year period.

Note B. INVENTORIES:

Cost represents invoice or production cost on a first-in, first-out or average basis. Market represents replacement cost or realizable values after provision for estimated costs of completion and sale. The amounts of opening and closing inventories entering into the computation of cost of sales are:

End of fiscal period ended in	(000's Omitted)
1967	$13,656
1968	19,030
1969	31,486
1970	40,774

Plaintiffs' Exhibit 18

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note C. RENTAL MACHINES AND FIXED ASSETS:

The following tabulation sets forth rental machines and the major classifications of fixed assets and the estimated useful lives used in computing depreciation and amortization:

	Years	Cost as at July 31, 1970 (000's Omitted)
Rental machines	5 and 8	$55,672
Land and improvements	10	$ 1,209
Buildings and improvements	5-45	6,881
Machinery and equipment	3-33	12,393
Construction in progress		579
		$21,062

For financial reporting purposes, depreciation is computed on rental machines by the 150% declining-balance method as to those machines delivered prior to August 1, 1967; as to those machines delivered after that date, the cost of the machines is depreciated 20% during each of the first four years and the balance over the remaining life of such assets. Depreciation on other fixed assets is computed principally by the straight-line method. Expenditures for maintenance, repairs and renewals are charged to income as incurred. Betterments which significantly extend the useful lives of assets are capitalized. At the time fixed assets are sold, retired or otherwise disposed of, the cost thereof and the related accumulated depreciation or amortization are eliminated from the accounts and any gain or loss is credited or charged to income.

The capitalized cost of machines, rented by foreign subsidiaries, which are manufactured in the United States, includes, commencing in 1969, certain handling costs. The effect of such change was not significant.

Note D. OTHER ASSETS:

Other assets consist of the following:	(000's Omitted)
Notes and accounts receivable	$1,298
Expenses related to subordinated debentures, less amortization of $50,000 (being amortized over term of debt)	990
Investments — at cost	290
Start-up costs, applicable to foreign operations, less accumulated amortization of $529,000 (being amortized over three years)	108
Cash surrender value of life insurance policies	104
Other	383
	$3,173

Note E. U. S. AND FOREIGN INCOME TAXES:

For income tax purposes, depreciation is computed on rental machines and most fixed assets by accelerated methods and gross profits on certain intercompany sales are not deferred; these policies, together with others, differ from those employed for financial reporting purposes. Provision has been made in the accompanying financial statements for applicable deferred income taxes.

Investment tax credits are amortized over the useful lives of the applicable property. The provisions for Federal income taxes for 1968, 1969 and 1970 were reduced by amortization of investment tax credits amounting to $176,000, $350,000 and $345,000, respectively. Amounts credited to income in prior years were not significant.

Note F. CONVERTIBLE DEBENTURES:

The 5½% Convertible Subordinated Debentures (due 1994) of $30,000,000 (payable by the Company) and the 5½% Subordinated Guaranteed Debentures (due 1989) of $15,000,000 (payable by a subsidiary, MDS Capital Corporation, and guaranteed by the Company) are convertible into Common Stock of the Company at $85.50 and $82.00 per share, respectively. The indenture under which the debentures due in 1994 were issued, provides for annual sinking fund payments, beginning in 1979, of 5% of the principal amount outstanding on December 15, 1978.

Plaintiffs' Exhibit 18

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note G. MORTGAGES PAYABLE AND OTHER LONG TERM DEBT:

Mortgages payable and other long term debt consists of the following:

	(000's Omitted)
2¾% — 7% Mortgages payable in monthly installments to 1988 (collateralized by certain real estate).....	$ 854
10¼% and 10½% notes payable (due 1973).....	1,351
	2,205
Less — Current portion	62
	$2,143

Of the foregoing $854,000 is payable by the Company and $1,351,000 by a subsidiary, MDS-France S.A., and guaranteed by the Company.

Annual payments of principal on long term debt required during the next succeeding five fiscal years are $62,000 (1971), $65,000 (1972), $1,420,000 (1973), $72,000 (1974) and $67,000 (1975).

Note H. PENSION AND PROFIT SHARING PLANS:

The Company and its domestic subsidiaries have a non-contributory pension plan (commenced in 1969) and a non-contributory profit sharing retirement plan (commenced in 1970) covering substantially all their employees. Approximately $475,000 (1969) and $728,000 (1970) was provided to cover the cost of such plans. It is the Company's policy to fund pension costs as they accrue, which costs are based upon an appropriate actuarial method, and the profit sharing costs represent approximately 3% of consolidated net income before income taxes, as defined. A change in actuarial assumptions for the pension plan was made during 1970 which had no material effect on net income.

Note I. COMMON STOCK:

In August 1966 the Common Stock was split 2 for 1 and the authorized shares were increased to 3,500,000 shares, par value 10¢ per share. In December 1967, the authorized shares were increased to 7,000,000 shares. In July 1968, the Common Stock was split 2 for 1, and in November 1968 the authorized shares were increased to 15,000,000 shares, and 1,000,000 shares of Preferred Stock, par value $1.00 per share, were authorized (none of which has been issued). Where appropriate, effect is given to such splits.

On July 9, 1970, a new non-qualified stock option plan for key employees of the Company and its subsidiaries for up to 400,000 shares was adopted by the Board of Directors. For each unexercised qualified stock option (and unexercised non-qualified option in the case of foreign employees) outstanding on July 9, 1970, the Company granted a non-qualified option at $23.00 per share under the new plan. In connection with the adoption of the new plan the qualified stock option plans (and non-qualified stock option plan in the case of foreign employees) in existence at July 9, 1970 were terminated, except for the options which were outstanding thereunder at July 9, 1970. Such new options, in effect, provide that the exercise of an option under either plan will cancel all options held by the optionee under the other plan. In addition to such grants of options for 177,600 shares, the Company also granted options for 103,450 shares at $23.00. Although the option price may be up to 25% below the fair market value on the date of granting the option, all options granted to date have been granted at fair market value. Options become exercisable, at various percentages, cumulatively from one to five years after the date of grant and may be exercised up to 10 years after the date of grant, when such options expire.

	Number of Shares	Option Price		Market Price	
		Per Share	Total	Per Share (At Date of Grant)	Total
Options outstanding at July 31, 1970, granted in 1970.....	280,350	$23.00	$ 6,448,050	$23.00	$ 6,448,050

Options for 700 shares were cancelled during July 1970.

Plaintiffs' Exhibit 18

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

The following information relates to the qualified and non-qualified stock option plans which have been terminated, except for outstanding options thereunder at July 9, 1970, by the adoption of the new non-qualified plan described above.

Qualified plans for key employees of the Company under which options are exercisable during a period beginning one year and ending five years after the date of grant:

	Number of Shares	Option Price		Market Price	
		Per Share*	Total	Per Share (At Date of Grant)	Total
Options outstanding as at July 31, 1970, granted during:					
Fiscal year ended in:					
1967	350	$25.625	$ 8,969	$25.625	$ 8,969
1968	68,000	$51.00 to $102.125	5,618,112	$51.00 to $102.125	5,618,112
1969	42,500	61.625 to 87.685	3,118,413	61.625 to 87.685	3,118,413
1970	46,200	56.25 to 77.625	2,813,088	56.25 to 77.625	2,813,088
	157,050		$11,558,582		$11,558,582
Options (other than cancelled options) which became exercisable during:					
Fiscal year ended in:				(At Date First Exercisable)	
1968	2,500	$10.25 to $ 25.625	$ 56,537	$53.00 to $ 79.50	$ 167,600
1969	41,045	51.00 to 102.125	3,150,973	63.00 to 89.656	3,001,132
1970	22,450	61.625 to 102.125	1,851,269	20.937 to 83.375	1,074,250
Options exercised during:					
Fiscal year ended in:				(At Date of Exercise)	
1968	73,416	$ .417 to $ 25.625	$ 83,207	$49.00 to $107.375	$ 5,921,590
1969	1,250	4.125 to 25.625	6,231	66.625 to 71.75	83,537
1970	800	25.625	20,500	38.875 to 83.937	40,112

*Refer to the second paragraph of this Note for information regarding the new non-qualified stock option plan.

Options for 11,000 shares (1968), 53,400 shares (1969) and 49,830 shares (1970) were cancelled.

Non-qualified plans for employees of the Company's foreign operations under which options are currently exercisable and expire five years after the date of grant:

	Number of Shares	Option Price		Market Price	
		Per Share*	Total	Per Share (At Date of Grant)	Total
Options outstanding as at July 31, 1970, granted during:					
Fiscal year ended in:					
1967	600	$37.00	$ 22,200	$37.00	$ 22,200
1968	9,400	$49.25 to $ 92.00	685,375	$49.75 to $ 93.50	692,238
1969	8,000	73.25 to 85.00	613,550	73.25 to 87.688	616,488
1970	1,850	56.25 to 76.81	134,623	56.25 to 76.81	134,623
	19,850		$ 1,455,748		$ 1,465,549
Options (other than cancelled options) which became exercisable during:					
Fiscal year ended in:				(At Date First Exercisable)	
1968	24,000	$31.00 to $ 92.00	$ 1,223,475	$79.50	$ 1,908,000
1969	8,000	73.25 to 85.00	613,550	$75.25 to $ 87.688	616,487
1970	1,850	56.25 to 76.81	134,623	56.25 to 76.81	134,623

Plaintiffs' Exhibit 18

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

	Number of Shares	Option Price		Market Price	
		Per Share*	Total	Per Share (At Date of Exercise)	Total
Options exercised during:					
Fiscal year ended in:					
1968	11,534	$15.00 to $49.25	$307,860	$78.00 to $93.50	$964,902
1969	400	37.00	14,800	71.75 to 74.25	28,950
1970	5,200	31.00 to 66.50	233,400	69.75 to 78.375	394,150

*Refer to the second paragraph of this Note for information regarding the new non-qualified stock option plan.

Options for 200 shares were cancelled in 1970.

On October 20, 1967, the Company assumed the obligations of an acquired company under its Restricted Stock Option Plan to issue up to 14,224 shares of its Common Stock at prices of $10.21 and $17.82 per share (aggregate $241,209); market prices at dates of grant were $10.75 and $18.75 (aggregate $253,900). At July 31, 1970, options for 1,666 shares were outstanding at a price of $17.82 per share (aggregate $29,688); market price at date of grant was $18.75 per share (aggregate $31,238). Options were exercised for 9,222 shares (October 20, 1967 to July 31, 1968), 1,265 shares (1969) and 1,266 shares (1970) at the above option prices for a total consideration of $197,195; the market prices at the date of exercise ranged from $63.50 to $99.00 per share (aggregate $938,625). Options for 805 shares were cancelled (1969) and are not reissuable.

Under the Employees' Stock Purchase Plan, adopted during fiscal 1969, 970 shares were issued (812 during fiscal 1970); subscriptions for 36,936 shares of Common Stock were outstanding at July 31, 1970; 112,094 shares were available for future grants under the plan.

During October 1967, 3,334 shares were purchased by a key employee of the Company's foreign operations at $15.00 per share. The market value of such shares on the date of the agreement was $31.00 per share. The Company has amortized the excess of the aforementioned market value over the purchase price during a three-year period which began in May 1967, which approximated the term of his employment contract.

There were no charges to income in connection with stock options except as noted in the preceding paragraph.

Upon exercise of stock options, the Company credits the Common Stock account with the par value of shares issued therefor and credits Capital in Excess of Par Value with the excess of proceeds over such par value.

At July 31, 1970, 550,696 shares of Common Stock were reserved for the stock option and purchase plans and 533,805 shares for conversion of convertible debentures.

Note J. CONTINGENCIES, COMMITMENTS AND OTHER COMMENTS:

Annual rentals of real property aggregated approximately $1,000,000 as at July 31, 1970.

Management is of the opinion that adjustments, if any, of sales subject to the Renegotiation Act of 1951 will have no material effect on the financial statements.

Commencing in the 1970 fiscal year, the Company sold certain equipment on rent for approximately $4,100,000 to non-affiliated third parties. The related sales agreements provide, in the event of termination of any leases during the five years after the sale, for options by the Company generally to substitute lessees or substitute equipment. The maximum liability for future rental payments during such five years, under such agreements at July 31, 1970, discounted to present value, approximates $4,200,000. After five years, the Company participates in rentals received on such equipment and has an option to repurchase any or all of such units sold.

Included in "Notes Payable" is $4,650,000 of notes to banks due July 31, 1971 issued under a credit agreement, pursuant to which the banks have agreed to loan to July 31, 1971, an aggregate principal amount of up to $20,000,000, as adjusted, in the United States and up to $5,000,000 to foreign subsidiaries. Such agreement includes provisions which, among other matters, relate to the creation of additional long-term indebtedness, the maintenance of net operating assets, as defined, at certain levels and the maintenance of certain financial ratios.

Plaintiffs' Exhibit 18

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (Continued)

Note K. SUPPLEMENTARY PROFIT AND LOSS INFORMATION:

Item	Charged Directly to Profit and Loss		
	To Cost of Sales, Rentals and Service (a)	Other	Total
	(000's Omitted)		
Maintenance and repairs(b):			
Fiscal year ended in:			
1968	$ 255	$ 12	$ 267
1969	191	35	226
1970	412	125	537
Depreciation and amortization:			
Fiscal year ended in:			
1968	3,114	399	3,513
1969	5,582	598	6,180
1970	9,659	866	10,525
Taxes, other than income taxes—principally payroll taxes:			
Fiscal year ended in:			
1968	953	761	1,714
1969	1,073	1,235	2,308
1970	1,758	1,393	3,151
Rents—premises and equipment:			
Fiscal year ended in:			
1968	572	353	925
1969	457	922	1,379
1970	410	1,143	1,553
Royalties:			
Fiscal year ended in:			
1968		41	41
1969		51	51
1970		22	22

There were no management and service contract fees.

Provisions for doubtful accounts for the fiscal years ended in 1968, 1969 and 1970 amounted to $136,000, $244,000 and $771,000, respectively.

(a) Included are amounts charged to rental machines. The Company's accounting records do not segregate amounts charged to such equipment.

(b) Excludes costs of maintaining rental machines as such service is billed to customers pursuant to contracts.

Plaintiffs' Exhibit 18

Exhibit I

MINNESOTA BUSINESS CORPORATION ACT

301.40 RIGHTS OF SHAREHOLDERS NOT ASSENTING TO CERTAIN CORPORATE ACTION. Subdivision 1. **Objection to proposed amendment of articles.** If a corporation has given notice to shareholders of a proposal to amend the articles of incorporation, which proposed amendment would substantially change the corporate purposes or would extend the duration of the corporation, a shareholder may, at any time prior to the date of the meeting at which such proposed amendment is to be voted upon, file a written objection to such amendment in the office of the secretary or president of the corporation and demand payment for all shares owned by such shareholder; provided, that such demand shall be of no force and effect if such shareholder votes in favor of the amendment, or at any time consents thereto in writing, or if the proposed amendment be not in fact effected.

Subd. 2. **Appraisers.** If, after such a demand by one or more shareholders, the corporation and one or more shareholders cannot agree upon the fair cash value of the shares at the time such amendment was authorized, such value shall be determined in a single proceeding by three disinterested appraisers, one of whom shall be named by the shareholders, another by the corporation, and the third by the two thus chosen. The appraiser named by such shareholders shall, in the event of disagreement among such shareholders, be selected by the holders of a majority of the shares with respect to which payment has been demanded. The determination of a majority of the appraisers in good faith made shall be binding on all demanding shareholders and the corporation, and if the amount so determined is not paid by the corporation within 30 days after it is made, such amount may be recovered in an action by any such demanding shareholder against the corporation. The corporation shall not be required to make payment of such amount except upon transfer to it of the shares for which such payment was demanded and upon surrender of the certificate or certificates evidencing the same.

Subd. 3. **Expenses.** The appraisers' expenses and fees, together with other expenses, not including counsel fees, incurred in the conduct of the arbitration shall be paid by the corporation except that all or any part of such costs and expenses may be apportioned and assessed against any or all of the demanding shareholders if a majority of the appraisers in good faith find that such demanding shareholders refused to accept an offer to purchase of the corporation and that such refusal was arbitrary or vexatious or otherwise not in good faith.

Subd. 4. **Withdrawal of demand.** Any shareholder making such demand may withdraw the demand at any time prior to the determination of the fair cash value of the shares by filing written notice of such withdrawal in the office of the secretary or president of the corporation.

Subd. 5. **Payment, when not made.** A shareholder shall not be entitled to payment for his shares under the provisions of this section unless the value of the corporate assets which would remain after such payment would be at least equal to the aggregate amount of its debts and liabilities exclusive of stated capital.

301.44 DISSENTING SHAREHOLDERS; RIGHTS. Subdivision 1. **Demand for payment.** If a domestic corporation has given notice to shareholders of a proposal to merge into or consolidate with any other corporation or corporations, a shareholder may, at any time prior to the date of the meeting at which such proposed merger or consolidation is to be voted upon, file a written objection to such

Plaintiffs' Exhibit 18

merger or consolidation in the office of the secretary or president of the corporation and demand payment for his shares and have the fair cash value thereof determined as provided in section 301.40, the relevant provisions of which section shall be in all respects applicable; provided, that such demand shall be of no force and effect if such shareholder votes in favor of the merger or consolidation, or at any time consents thereto in writing, or if the proposed merger or consolidation be not in fact effected. The liability of such corporation to such dissenting shareholder for the fair cash value of the shares so agreed upon or awarded shall also be a liability of the consolidated or surviving corporation, as the case may be.

Subd. 2. **Failure to object deemed assent.** Those shareholders of the constituent corporations who do not object in writing and demand payment for their shares pursuant to the provisions of subdivision 1 shall be deemed to have assented to the consolidation or merger, as the case may be, on the terms specified in the agreement of the consolidation or merger.

599a

Plaintiffs' Exhibit 19

MOHAWK DATA SCIENCES CORPORATION

R. P. Rifenburgh
president

539

April 30, 1971

To the Holders of Certificates for Common Shares of
ATRON CORPORATION

We are pleased to announce that the merger between Atron Corporation and Mohawk Data Sciences Corp. became effective today, April 30, 1971.

Under the terms of the merger, each outstanding Common Share of Atron has been converted into ¼ of a share of MDS Common Stock. No fractional shares will be issued and any fractional interest to which an Atron stockholder may be entitled will be paid in cash, all in accordance with the enclosed Letter of Transmittal.

The Common Stock of MDS is listed on the New York Stock Exchange. We have been advised that certificates representing Atron Common Shares will not constitute good delivery of MDS Common Stock on such Exchange and, accordingly, such certificates should be exchanged for MDS certificates prior to any transfer thereof.

YOU MAY EXCHANGE YOUR ATRON CERTIFICATES FOR CERTIFICATES REPRESENTING SHARES OF MDS COMMON STOCK BY EXECUTING THE ENCLOSED LETTER OF TRANSMITTAL AND MAILING OR DELIVERING IT IN THE ENCLOSED ENVELOPE, TOGETHER WITH YOUR ATRON CERTIFICATES, TO MARINE MIDLAND BANK-NEW YORK, 125 BARCLAY STREET, NEW YORK, N.Y. 10015. Please read carefully the instructions on the reverse side of the Letter of Transmittal. If the stock certificates are sent by mail, registered mail is recommended.

We welcome you as a stockholder and look forward to your association with MDS.

Very truly yours,

Richard P. Rifenburgh

RICHARD P. RIFENBURGH
President

MDS
PALISADE STREET • HERKIMER, NEW YORK 13350

600a

LETTER OF TRANSMITTAL

To accompany CERTIFICATES for the Common Shares of Atron Corporation

Plaintiffs' Exhibit 19.

MARINE MIDLAND BANK-NEW YORK,
Agent
125 Barclay Street
New York, N.Y. 10015
Attention: Corporate Trust Division

Gentlemen:

The undersigned delivers to you herewith the certificate(s) listed below:

Certificate Numbers .....

..... Total Shares .....

representing Common Shares, 20¢ par value, of Atron Corporation to be exchanged, pursuant to the Agreement and Plan of Merger under which Atron Corporation has been merged into MDS-Atron, Inc., for certificate(s) representing shares of Common Stock, 10¢ par value, of Mohawk Data Sciences Corp. ("MDS Common Stock") at the rate of

1/4th of a share of Common Stock of Mohawk Data Sciences Corp. for each Common Share of Atron Corporation

If, as a result of the exchange, the undersigned is entitled to a fractional interest in a share of MDS Common Stock, you are instructed to remit to the undersigned by check an amount equal to the product of the closing price of MDS Common Stock on the New York Stock Exchange, Inc. on April 30, 1971 multiplied by such fractional interest.

Please issue the certificate(s) for MDS Common Stock and any check representing fractional interests in the name, and forward by mail to the address, stencilled above, unless other instructions are indicated below.

NOTE: Use ONLY if the name in which the new stock certificate(s) or the check to be issued or the address for record is different from that stencilled above.

Use ONLY for special mailing or delivery instructions.

MAIL TO:

Very truly yours,

Telephone Number .....

..... Signature of Owner or Agent

Social Sec. No. .....

....., 1971 (Please date)

PLEASE NOTE CAREFULLY THE INSTRUCTIONS ON OTHER SIDE

Do Not Write in Spaces Below

Lot No.	Shrs. Entitled	Frac. Entitled	Check No.	Check Amount	Shrs. Issued	Ctf. No.(s).

MOHAWK DATA SCIENCES CORPORATION

601a 543

Plaintiffs' Exhibit 20

MDS

May 26, 1971

Dear Stockholder:

Enclosed are certificates representing the shares of Common Stock of Mohawk Data Sciences Corp. ("MDS") into which your common shares of Atron Corporation ("Atron") were converted on the merger of Atron into a subsidiary of MDS. If you are entitled to a fractional MDS share, a check for the value thereof is also enclosed. You will note that each of your MDS certificates bears a legend similar to the legend which was borne by each of the Atron certificates surrendered by you.

Our counsel has advised us that the recently published views of the Securities and Exchange Commission ("SEC") as evidenced by its staff's replies to requests for "no action" letters, indicate that you, and any broker acting on your behalf, might violate the Securities Act of 1933, as amended (the "Act"), if you sold your shares of MDS stock without the registration thereof under Section 5 of the Act, unless an unforeseen change in circumstances (not involving Atron's operations or the market action of its stock or its merger with MDS) shall have occurred since your purchase of your Atron shares. Such views also seem to indicate that the change of circumstances required may be of a less material nature if more than three years shall have elapsed since your purchase, a factor you should keep in mind when considering the matters discussed below. In addition, such counsel has also advised us that they have reason to believe that the SEC will soon promulgate for consideration by interested parties a revised proposed Rule 144 which might well permit the resale of your shares of Common Stock of MDS without the registration thereof. Of course, no assurance can be given with respect to time or content of any such proposal nor the form in which any such rule may be finally adopted, if at all. However, this again is a factor which you should keep in mind when considering the matters discussed below.

In order to make your MDS shares free for sale, MDS is hereby affording you an opportunity to have the same registered, at its expense, under the Act. Although MDS has on file with the SEC a registration statement, which has not yet become effective, covering certain shares of its Common Stock, no determination has yet been made as to whether or not your MDS shares would be included in such registration statement or in a new registration statement with respect thereto on a simpler form (Form S-16).

If you wish to have your shares registered, you must notify us on the attached form, c/o Messrs. Beekman & Bogue, Five Hanover Square, New York, N. Y. 10004, not later than June 20, 1971. If such notification is not received by that date, your shares will not be registered and thus will remain non-transferable until such time if, as and when they could be resold pursuant to some exemption from registration afforded under the Act. In this connection, may we suggest that before a final decision is reached you review the matters referred to above and consult your own attorney with respect to this situation so that you will be able to understand

clearly the alternatives which are available to you, as well as the liabilities and undertakings, some of which are briefly referred to below, to which you will become subject.

If you decide to have your shares registered, it is hoped, but no assurance can be given, that such registration will be completed within three months from the date hereof. In this connection it may be necessary for MDS to obtain from you not only the request for the registration of your shares, but a statement that it is your intention to sell the MDS shares so to be registered from time to time in such manner as may be set forth on the cover page of the Prospectus forming a part of the applicable Registration Statement. It is presently contemplated that sales of your MDS shares will have to be made regular way through the facilities of the New York Stock Exchange. In addition, you (and each other person whose MDS shares are to be registered) may be required to execute and deliver to MDS a so-called "Hazel Bishop letter" undertaking, among other things, not to purchase any MDS shares until all of the shares being registered have been sold, to advise your broker that the shares so registered and being sold by you are part of a distribution, to supply such broker with copies of the final Prospectus (which will be made available to you by MDS), to keep MDS advised of the sales made by you of your MDS shares and to notify MDS immediately upon the completion of your sales of such shares.

Lastly, while it is MDS' present intention to keep the registration statement covering your shares current for an indefinite period, nothing contained in this letter should be deemed to constitute an undertaking by MDS to do so for any period extending beyond 120 days after the effective date of the registration statement. Consequently, while it may be possible to sell such shares by the use of a Prospectus constituting a part of the applicable registration statement for an indefinite period, you should plan to complete your sale or sales of your registered MDS shares within 120 days after the aforementioned effective date.

As was suggested before, we urge you to consult with your own attorney with respect to the matters to which this letter relates, or, if you wish, with George Flannery, Esq., or Thomas Brown, Esq. of the Minneapolis law firm of Dorsey, Marquart, Windhorst, West & Halladay, who were the attorneys for Atron, or with L. Gerald Tarantino of Messrs. Beekman & Bogue, Five Hanover Square, New York, N. Y. 10004, who are our attorneys.

Very truly yours,

Philip J. Ablove
Vice President

PJA:ce
Enclosure

Plaintiffs' Exhibit 20

Date:_____

Mohawk Data Sciences Corp.
c/o Messrs. Beekman & Bogue
Five Hanover Square
New York, New York 10004

Gentlemen:

The undersigned is the owner of shares of Common Stock of Mohawk Data Sciences Corp. ("MDS") received by the undersigned in connection with the merger of Atron Corporation into a subsidiary of MDS. The undersigned desires to have of such shares registered under the Securities Act of 1933, as amended, as soon as practicable. In line with your letter to the undersigned, dated May 26, 1971, the undersigned agrees that he will execute such undertakings and statements as MDS may determine to be necessary or desirable in order to have a registration statement covering the above shares declared effective.

Very truly yours,

_____
(Name of Stockholder)

_____
(Address of Stockholder)

C

As filed with the Securities and Exchange Commission on August 23, 1971

Plaintiffs' Exhibit 21

Registration No. 2-39208

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

AMENDMENT NO. 2
To

Form S-1

REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

Mohawk Data Sciences Corp.

(Exact name of registrant as specified in charter)

PALISADE STREET, HERKIMER, NEW YORK 13350
(Address of principal executive offices)

WAYNE WELLS
Executive Vice President
Mohawk Data Sciences Corp.
20 East 46 Street
New York, New York 10017
(Name and address of agent for service)

Copy to:
BERTRAND L. KOHLMANN, Esq.
Beekman & Bogue
Five Hanover Square
New York, New York 10004

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this Registration Statement.

RECALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, par value 10¢ per share	550,000 shs.(1)	$23.15(2) 25.75(2) 25.50(2)(3)	$13,379,646(2)	$2,676
	72,246 shs.	25.50(3)	1,842,273	368
	37,500 shs.(1)	68.00(4)	2,550,000(4)	510
	5,355 shs.(1)	19.68(4)	105,386(4)	22
			Total	$3,576

(1) There are also being registered such additional indeterminate numbers of shares of Common Stock as may be required to cover possible adjustments pursuant to the anti-dilution provisions of the options, option plans and warrants covering such shares.

(2) The proposed maximum offering price per unit is based on (i) $23.15 per share, the average exercise price of all shares covered by the 1970 Stock Option Plan at November 30, 1970 then subject to outstanding options (286,450 shares), (ii) $25.75 per share, with respect to the shares covered by the 1970 Plan not then subject to options (113,550 shares), based on the closing price of $25.75 on the New York Stock Exchange on December 28, 1970 pursuant to Rule 457(b) and (f), and (iii) $25.50 per share, as described in Note (3), with respect to the shares covered by the amendment to the 1970 Plan (150,000 shares). The proposed maximum aggregate offering price is the sum of the actual exercise prices of outstanding options as indicated and the aggregate of the estimated offering prices of shares not covered by options as indicated.

(3) Pursuant to Rules 457 (b) and (f), based on the closing price of $25.50 on the New York Stock Exchange on July 27, 1971.

(4) Represents present exercise price to be paid upon exercise of warrants or options.

As permitted by Rule 429(a), the Prospectus included herein also relates to Registration No. 2-35242.

Plaintiffs' Exhibit 21

MOHAWK DATA SCIENCES CORP.

Cross Reference Sheet pursuant to Rule 404(c)

Form S-1 Item Number and Caption	Caption in Prospectus
1. Distribution Spread	Not applicable
2. Plan of Distribution	Cover; Selling Stockholders
3. Use of Proceeds to Registrant	Cover
4. Sales Otherwise than for Cash	Not applicable
5. Capital Structure	Capitalization
6. Summary of Earnings	Consolidated Statement of Income
7. Organization of Registrant	The Company
8. Parents of Registrant	Not applicable
9. Description of Business	The Company; Business and Properties
10. Description of Property	Business and Properties
11. Organization within Five Years	Not applicable
12. Pending Legal Proceedings	Not applicable
13. Capital Stock Being Registered	Description of Common Stock
14. Long-Term Debt Being Registered	Not applicable
15. Other Securities Being Registered	Not applicable
16. Directors and Executive Officers	Management
17. Remuneration of Directors and Officers	Management—Remuneration of Directors and Officers
18. Options to Purchase Securities	1970 Stock Option Plan; Other Stock Options; Description of Warrants
19. Principal Holders of Securities	None, but see Management
20. Interest of Management and Others in Certain Transactions	Management—Interest in Certain Transactions
21. Financial Statements	Financial Statements

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Plaintiffs' Exhibit 21

PROSPECTUS

Mohawk Data Sciences Corp.

This Prospectus has been prepared for use by Mohawk Data Sciences Corp. (the "Company") in connection with the offering of the following shares of its Common Stock, par value 10¢ per share:

(a) 550,000 shares issuable upon exercise of options granted or to be granted pursuant to the Company's 1970 Stock Option Plan (see "1970 Stock Option Plan" on page 16 hereof);

(b) 182,927 shares issuable upon conversion of the 5½% Subordinated Guaranteed Debentures due 1989 of MDS Capital Corporation, a wholly-owned international finance subsidiary of the Company;

(c) 37,500 shares issuable upon exercise of warrants initially issued by Atron Corporation (see "Description of Warrants" on page 20 hereof); and

(d) 5,355 shares issuable upon exercise of employee qualified stock options initially issued by Atron Corporation (see "Atron Merger" on page 19 hereof).

This Prospectus has also been prepared for use by the holders of 72,246 outstanding shares of Common Stock of the Company in connection with the sale by such persons of such shares (see "Selling Stockholders"). Offerings and sales of such shares may be made from time to time publicly in transactions on the New York Stock Exchange or in special offerings or exchange distributions made through the facilities of such Exchange at market prices relating to those prevailing for shares of the Company's Common Stock on such Exchange, or in private sales at negotiated prices. Any sales will be made without payment of any underwriting discounts or commissions except for the usual and customary commissions paid to brokers or dealers. In the event of any offering or sale of any such shares, the persons making the same may be deemed to be underwriters within the meaning of the Securities Act of 1933, as amended (although certain of such persons disclaim such to be the case). Prior to the commencement of any public offering by such persons of such shares, other than in the manner and at the prices indicated above, this Prospectus will be appropriately amended to reflect the manner and terms of such offering and to include such additional information as may then be required.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The proceeds from the sale of Common Stock issued upon the exercise of the above-described options and warrants will be used for general corporate purposes. The Company will not receive any benefits upon the conversion of the Debentures of MDS Capital Corporation except to the extent that the obligations of the Company with respect thereto are extinguished by the conversion thereof. The Company will not receive any of the proceeds from the sale of shares by the holders thereof. On August 20, 1971 the closing sale price of the Company's Common Stock on the New York Stock Exchange was $26.75.

The date of this Prospectus is August , 1971.

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No person has been authorized to give any information or to make any representation not contained in this Prospectus in connection with the offer contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorized. This Prospectus is not an offer to sell, or a solicitation of an offer to buy, to any person in any state in which such offering or solicitation may not lawfully be made.

Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the respective dates as to which information has been given herein.

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THE COMPANY

Mohawk Data Sciences Corp., a New York corporation organized in 1964, is engaged in the design, development, manufacture and sale or rental, in a variety of markets, of electronic data processing equipment designed to be used in association with most computer systems. Its original products were DATA-RECORDERS and BUFFERED TAPE UNITS used to transcribe information from source documents and other media directly to standard magnetic tape and, when used in conjunction with telephone and other devices, to facilitate the transmission of data to and from various locations and to effect the conversion of information from one medium to another. In 1967 Anelex Corporation was merged into the Company, thereby adding to the Company's products high and low speed printer systems incorporating a broad range of performance capabilities for use with computers and other information processing equipment, and high speed digital listers for use in measurement equipment. In 1968 the Company acquired Soroban Engineering, Inc., a manufacturer of high speed card and paper tape punches, readers and interpreters; Ohr-Tronics, Inc., a manufacturer of paper tape and ticket punches and readers; and H. M. Storms Company, a manufacturer of special purpose inked ribbons for business equipment. In April 1971 Atron Corporation, a manufacturer of peripheral processors and terminal systems, was merged into the Company. Such acquisitions were paid for by the issuance of an aggregate of 1,417,374 shares of the Company's Common Stock.

The Company's principal executive offices are located on Palisade Street, Herkimer, N. Y. 13350 and its telephone number at such address is (315) 867-6000.

The term "Company" as used herein means and includes Mohawk Data Sciences Corp. and all of its subsidiaries unless otherwise indicated or unless the context otherwise requires.

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CAPITALIZATION

The capitalization of the Company as at June 30, 1971 was as follows:

	Outstanding
Long Term Debt (including current portions):	
6½% to 9¼% Notes payable to banks(1)	$25,685,000
2¼% to 7½% Mortgages(2)	989,000
Payments due to third party lessors	3,856,000
Other—at 7%	2,400,000
Sundry Indebtedness(3)	2,958,000
Convertible Debentures(4):	
5½% Convertible Subordinated Debentures due December 15, 1994	30,000,000
5½% Subordinated Guaranteed Debentures due 1989	15,000,000
Capital Stock:	
Common Stock, 10¢ par value (15,000,000 shares authorized)	5,711,840 shs.(5)

(1) Such notes were issued under credit agreements entered into as of February 26, 1971, as amended May 1, 1971, providing for the granting of credit in the maximum amount of $55,000,000, all of which is available until 1974 and $28,000,000 of which is available until 1976.

(2) Consists of various mortgages payable to 1988 at interest rates as noted.

(3) Consists of borrowings at varying interest rates.

(4) The Convertible Subordinated Debentures due December 15, 1994 and the Subordinated Guaranteed Debentures due 1989 are convertible into Common Stock of the Company at $85.50 and $82.00 per share, respectively. The Subordinated Guaranteed Debentures were issued by a wholly-owned international finance subsidiary of the Company and the payment of the principal, premium, if any, and interest on such Debentures is guaranteed (on a subordinated basis) by the Company. The indenture under which the Convertible Subordinated Debentures were issued provides for annual sinking fund payments, beginning in 1[illegible], of 5% of the principal amount thereof outstanding on December 15, 1978.

(5) In addition, 407,021 shares of Common Stock were reserved for issuance upon the exercise of employee stock options granted or which may be granted; 146,303 shares were reserved for issuance in connection with the Company's Stock Purchase Plan; 42,500 shares were reserved for issuance upon the exercise of warrants; and 533,805 shares were reserved for issuance upon the conversion of the Debentures referred to in Note (4) above. An additional 71,183 shares were reserved as described under "Proposed Acquisition of Colorado Instruments, Inc." The Company has authorized a class of Preferred Stock, consisting of 1,000,000 shares, par value $1.00 per share, none of which has been issued.

Note: Reference is made to Note J of Notes to Financial Statements for information regarding long term lease commitments.

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MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

The following statement presents the consolidated results of operations of Mohawk Data Sciences Corp. ("MDS") and subsidiaries, including companies acquired on a pooling-of-interests basis, see Note (a) below. The statement, to the extent it relates to the three years ended July 31, 1970 and the nine months ended April 30, 1971, has been examined by S. D. Leidesdorf & Co., independent public accountants, as set forth in their report included elsewhere in this prospectus. The unaudited data for the nine-month period ended April 30, 1970 reflect, in the opinion of the Company, all adjustments (which include only normal recurring accruals and a change in accounting policy—see Note (b) below) necessary to present fairly the results of operations for such period. The statement should be read in conjunction with the other financial statements of MDS and notes thereto included elsewhere in this prospectus. Reference to the aforementioned notes is indicated by upper case letters.

	Fiscal Periods [see Note (a)] Ended July 31,					Nine Months [see Note (a)] Ended April 30,	
	1966	1967	1968	1969	1970	1970	1971
	(000's Omitted)						
	(Not Covered by Accountants' Report)					(Unaudited)	
					[Restated—Note (b)]		
Revenues (a), (b) and (c):							
Net sales	$20,599	$24,326	$44,463	$60,927	$60,260	$47,035	$29,813
Rentals and service income	910	3,275	9,382	22,084	38,559	27,331	38,076
	21,509	27,601	53,845	83,011	98,819	74,366	67,889
Cost of sales	16,696	16,568	29,785	35,931	35,974	29,105	20,464
Cost of rentals and service	774	1,747	4,456	10,657	17,146	12,406	18,101
	17,470	18,315	34,241	46,588	53,120	41,511	38,565
Gross profit	4,039	9,286	19,604	36,423	45,699	32,855	29,324
Development and engineering expenses	1,060	1,288	1,883	5,321	7,019	4,799	5,863
Selling, general and administrative expenses.	5,546	6,136	11,080	17,280	23,617	16,964	22,142
Losses resulting from product lines sold or discontinued (d)	2,654						
Interest expense (e)	577	694	816	2,401	4,165	2,996	3,607
Other (income) deductions—net (f)	(1)	(308)	428	153	(510)	(806)	(698)
	9,836	7,810	14,207	25,155	34,291	23,953	30,914
Income (loss) before items shown below	(5,797)	1,476	5,397	11,268	11,408	8,902	(1,590)
(Provision) credit for income taxes (g)—Note D:							
Current	1,135	(23)	(2,730)	(4,898)	(6,973)	(5,445)	(1,530)
Deferred	22	64	384	(202)	1,373	1,030	2,304
Amount equivalent to reduction in income taxes arising from use of net operating loss carry-forwards		(835)	(1,004)	(371)			(204)
Income (loss) before extraordinary items	(4,640)	682	2,047	5,797	5,808	4,487	(1,020)
Extraordinary items:							
Reduction in income taxes arising from use of net operating loss carry-forwards		835	1,004	371			204
Other (h)	(177)	(185)					(234)
Net income (loss) (a)	($ 4,817)	$ 1,332	$ 3,051	$ 6,168	$ 5,808	$ 4,487	($ 1,050)
Average shares outstanding (i)	4,331	4,776	5,293	5,623	5,674	5,668	5,707
Per share of Common Stock (i):							
Income (loss) before extraordinary items	($1.07)	$.14	$.39	$1.03	$1.02	$.79	($.18)
Extraordinary items—credit (charge)	(.04)	.14	.19	.07			
Net income (loss)	($1.11)	$.28	$.58	$1.10	$1.02	$.79	($.18)

No cash dividends have been paid during the periods shown.

See accompanying notes.

NOTES TO CONSOLIDATED STATEMENT OF INCOME

(Not covered by Accountants' Report with respect to the fiscal periods ended in 1966 and 1967 and nine months ended April 30, 1970)

(a) Companies acquired on a pooling-of-interests basis (Anelex Corporation and subsidiaries, Soroban Engineering, Inc. and its subsidiary and Ohr-Tronics, Inc., acquired during 1968 and Atron Corporation, acquired April 30, 1971) had fiscal years ended on or about September 30. The results of operations of such companies for years prior to acquisition have been included for such fiscal years, with the exception of the consolidated results of one company which are included in 1967 for the ten months ended July 30, 1967, two companies which are included in 1968 for the ten months ended July 31, 1968 and another company included in 1971 for the seven months ended April 30, 1971. Included in the fiscal year 1968 are the results of operations (not significant) of a company purchased during 1968. See Notes A and J.

The results of operations of MDS are included for the twelve months ended July 31 in each of the years 1966-1970 and for the nine month periods ended April 30, 1970 and April 30, 1971. Effective April 30, 1971, the Company changed its fiscal year end from July 31 to April 30.

Reconciliations of net sales, rentals and service income and net income (loss) as initially reported to stockholders (1966 through 1970) and after reflecting the above-described poolings-of-interests and change in accounting policy (see Note (b)) are as follows:

	Fiscal Periods Ended July 31,				Nine Months Ended April 30,	
	1966	1967	1969	1970	1970	1971
Revenues:	(000's Omitted)					
MDS (as initially reported—1966 through 1970):				(Restated)		
Net sales	$ 1,522	$ 6,091		$64,351	$50,085	$29,679
Rentals and service income	886	3,239		38,199	27,126	38,002
Companies acquired in poolings-of-interests:						
Net sales	19,077	18,235		57	35	134
Rentals and service income	24	36		4	19	74
Change in accounting policy (see Note b):						
Net sales—(decrease)				(4,148)	(3,084)	
Rentals and service income				356	185	
As shown in consolidated statement of income	$21,509	$27,601		$98,819	$74,366	$67,889
Net Income (Loss):						
MDS (as initially reported—1966 through 1970)	($ 1,006)	$ 1,303	$ 6,653	$ 8,323	$ 6,402	($ 950)
Companies acquired in poolings-of-interests	(3,811)	29	(485)	(1,025)	(802)	(100)
Change in accounting policy (see Note b)				(1,490)	(1,113)	
As shown in consolidated statement of income	($ 4,817)	$ 1,332	$ 6,168	$ 5,808	$ 4,487	($1,050)

The data with respect to the 1970 periods and 1971 period are after elimination of intercompany sales and service income from Atron to MDS of $834,000 (1970), $468,000 (nine months 1970) and $2,185,000 (1971), and elimination of intercompany profits thereon of $100,000 (1970), $15,000 (nine months 1970) and $437,000 (1971). Development expenses of Atron have been retroactively expensed in the period incurred in conformity with the accounting practice of MDS, the effect of which was to decrease net income by $485,000 (1969) and increase net income by $162,000 (1970), $121,000 (nine months 1970) and $91,000 (nine months 1971). Atron commenced operations in 1970.

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NOTES TO CONSOLIDATED STATEMENT OF INCOME (Continued)

(b) The Company has reviewed its method of accounting for sales of equipment on rental to non-affiliated third parties which began in fiscal 1970. The sales agreements related to such sales provide, in the event of termination of any leases during the five years after sale, for options by the Company generally to substitute lessees or substitute equipment. In view of the fact that the amount of equipment either returned or having its leases terminated significantly exceeded that anticipated by the Company at the time of sales, MDS retroactively changed its accounting policy during fiscal 1971 from that of accounting for such transactions as sales to accounting for rental income therefrom by use of the operating method. The principal effects of the change in accounting method have been to reduce revenues by $3,792,000 and net income by $1,490,000 ($.27 per share) for the year ended July 31, 1970 from that previously reported and the accumulated retained earnings as at that date by the latter amount.

(c) Approximately 3%—1966; 18%—1967; 30%—1968; 35%—1969; 34%—1970; 31%—nine months 1970 and 33%—nine months 1971 of net sales were to National Cash Register Company.

(d) During 1966, Anelex and a subsidiary incurred losses of $2,654,000 from product lines sold or discontinued. Net sales for the 1966 fiscal period excludes sales of $509,000 of product lines sold or discontinued.

(e) Interest applicable to long-term debt amounts to $337,000—1966; $331,000—1967; $292,000—1968; $2,267,000—1969; $2,965,000—1970; $2,080,000—nine months 1970 and $2,601,000—nine months 1971.

(f) Other (income) deductions—net includes royalty income of $139,000—1967; $186,000—1968; $237,000—1969; $361,000—1970; $234,000—nine months 1970 and $261,000—nine months 1971; interest income of $494,000—1970 and $361,000—1971 and, in 1968, additional amortization of leasehold improvements and write off of debt expense of $286,000 and $243,000, respectively. Includes, in addition, non-recurring items in fiscal year 1970 which were substantially offsetting.

(g) Includes foreign income taxes of $1,061,000 (1969), $2,482,000 (1970), and $1,845,000 for nine months 1970 and $1,835,000 for nine months 1971 and state income taxes of $356,000 (1969), $360,000 (1970) and $375,000 (nine months 1970).

(h) Represents a charge relating to settlement of litigation of $177,000 (1966); a provision for loss on investment in and advances to unconsolidated foreign subsidiary of $185,000 (1967); and a provision of $450,000 for losses on receivables from the sale of former subsidiaries ($225,000) and contract claim settlement applicable to an acquired company ($225,000) less related income taxes of $216,000 (1971).

(i) Computed on the basis of the weighted average number of shares outstanding during each year (including for years prior to the merger of Anelex into MDS and the acquisitions of Soroban, Ohr-Tronics and Atron, the number of MDS shares equivalent to the actual number of Anelex, Soroban, Ohr-Tronics and Atron shares outstanding) adjusted retroactively for stock splits. No effect has been given to common stock equivalents because they would not have a material dilutive effect on net income per share amounts or they would decrease net loss per share amounts.

The Company has entered into an Agreement providing for the merger of Colorado Instruments, Inc. into a subsidiary of the Company. See "Proposed Acquisition of Colorado Instruments, Inc." for a description of Colorado's business and condensed financial statements, including pro forma condensed financial statements of the Company and Colorado. As will be noted, Colorado had a net loss of $803,000 for the nine months ended February 28, 1971 which, combined with the net loss of the Company for the

Plaintiffs' Exhibit 21

nine month period ended April 30, 1971 described above, resulted in a pro forma combined loss of $1,915,000. The Company can give no assurance that if the proposed acquisition is consummated, Colorado's operations will become profitable.

The decrease in net sales of the Company in the nine month period ended April 30, 1971 from the comparable period of the prior fiscal year was primarily due to a decrease in shipments to National Cash Register Company and other original equipment manufacturers, believed by the Company to be a part of the recent downturn in the U.S. economy which generally adversely affected companies in the computer and computer peripheral industries. In addition, there were significant revenues from certain government contracts during the nine month period ended April 30, 1970, which contracts were completed in February 1970. Furthermore, engineering, development and selling expenses increased significantly during the nine months ended April 30, 1971. Such expenses were primarily attributable to new products introduced during the period for which sales and rental income did not commence until some time after April 30, 1971. In addition, net income for both the 1970 and 1971 periods was affected by adjustments made as a result of a change in the accounting treatment for sales to third party lessors and the merger of Atron Corporation in April 1971. Net income for the 1971 period was further affected by the expansion of year-end reserves for inventories, accounts receivable and off-rent equipment.

Rental and service income has been increasing as a proportion of total revenues as the Company has maintained its program of placing on rent a substantial portion of the equipment manufactured by it while continuing to derive revenues from equipment previously placed on rent. This increasing proportion was accentuated during the fiscal periods ended July 31, 1970 and April 30, 1971 because of the decrease in sales to original equipment manufacturers as described above.

The length of time equipment remains on rent determines the amount of profits to be made from such equipment. Equipment presently on rent is generally covered by one year lease agreements, although the Company is presently offering longer lease programs. See "Business and Properties—End User Market". Future rental and service income may be adversely affected by return of equipment on lease for various reasons, including budgetary reductions in the customer's data processing department and the rapid technological advances and obsolescence factors present in the industry.

The Company's End User backlog as of April 30, 1971 for equipment to be placed on rent was approximately $43,000,000, compared with approximately $28,000,000 at April 30, 1970. Said figures were computed using the equivalent list price sales value of such rental equipment. The backlog at April 30, 1971 of equipment to be sold to original equipment manufacturers was approximately $10,000,000, compared with approximately $18,500,000 at April 30, 1970. The backlog at April 30, 1971 of orders to be filled for the Federal Government was approximately $2,800,000, compared with approximately $100,000 at April 30, 1970. The foregoing figures do not include orders for supplies and spare parts. Such figures cannot be translated into revenues or net income because of the varying profit margins and lead times among the different elements of the Company's business. In addition, while the foregoing backlog data are based on firm orders from customers, it has been the Company's practice in the past to permit its customers to cancel small orders, reduce quantities ordered, and to delay delivery dates. Such cancellations, reductions and delays have occurred more frequently during the recent economic decline than formerly.

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PROPOSED ACQUISITION OF COLORADO INSTRUMENTS, INC.

In May 1971 the Company and Colorado Instruments, Inc. ("Colorado"), a Colorado corporation formed in 1961, entered into an Agreement and Plan of Merger providing for the merger of Colorado into a wholly-owned subsidiary of the Company on the basis of one share of Common Stock of the Company for each nine outstanding shares of Colorado, or a total of approximately 63,400 shares of the Company's Common Stock. Holders of outstanding Colorado stock options and warrants would be entitled to receive an additional 7,783 shares of the Company's Common Stock on the exercise thereof. The merger agreement will be submitted to the shareholders of Colorado for approval at a meeting to be held on September 21, 1971 and it is presently expected that if the agreement is approved and the conditions thereto are met, the merger will be consummated shortly thereafter.

Colorado's primary product is a source data collection system (the C-Dek system) which permits the acquisition of data at its point of origin, conversion thereof to computer-usable form and transmission for subsequent computer processing. Since 1968, the Company and Colorado have had a marketing arrangement covering the C-Dek system. During Colorado's fiscal year ended May 31, 1969, sales by Colorado to the Company were $1,151,000, or 62% of total revenues. For the fiscal year ended May 31, 1970, such sales decreased to $511,000, or 40% of total revenues, and for the nine month period ended February 28, 1971, such sales were $208,520, or 41% of total revenues. The decline in sales to the Company was attributable to a decrease in demand for Colorado's products by the Company's customers, causing the Company to reduce its orders to Colorado.

Since agreeing in principal in March 1971 to acquire Colorado, the Company has assisted Colorado in meeting its capital requirements. The Company has purchased certain equipment on lease for $78,555 and has made loans and prepayments of purchases to Colorado, of which $195,000 and $50,000, respectively, were outstanding at August 13, 1971. In June 1971, the Company purchased 65,000 shares of Common Stock of Colorado (representing approximately 10.2% of Colorado's presently outstanding stock) for an aggregate consideration of $211,250.

The following sets forth the condensed income statements of Colorado for the three years ended May 31, 1970 and the nine month periods ended February 28, 1970 and 1971, and, on a pro forma basis, the combined statements of the Company and Colorado for their respective fiscal years ended in 1970 and nine month periods ended in 1971.

	Colorado					Pro Forma Combined	
	Year Ended May 31,			Nine Months Ended February 28,			
	1968	1969	1970	1970	1971	Fiscal Year Ended in 1970	Nine Months Ended in 1971
	(000's Omitted)						
Revenues	$803	$1,844	$1,287	$ 845	$ 527	$99,595	$68,207
Costs and Expenses	823	1,345	1,558	1,040	1,357	88,734	70,751
Income (loss) before taxes and extraordinary items	(20)	499	(271)	(195)	(830)	10,861	(2,544)
(Provision) credit for income taxes	—	(264)	150	108	27	5,298	659
Income (loss) before extraordinary items	(20)	235	(121)	(87)	(803)	5,563	(1,885)
Extraordinary items	—	86	—	—	—	—	(30)
Net Income (loss)	$ (20)	$ 321	$ (121)	$ (87)	$ (803)	$ 5,563	$(1,915)
Per share of Common Stock	$(.05)	$ .64	$ (.21)	$ (.15)	$(1.41)	$ .97	$ (.33)

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Colorado's profit for the fiscal year ended May 31, 1969 was primarily the result of sales to the Company under the marketing arrangement between Colorado and the Company. The reported losses incurred during fiscal 1970 and the nine month period ended February 28, 1971 are believed by Colorado to have been primarily due to large expenditures for the expansion of sales and service staff and facilities, and the subsequent failure to obtain anticipated sales levels which, it is believed, was due in part to general economic conditions and a decline in capital goods expenditures by industry and in part to a shift from outright sales of its equipment to delivery of equipment to its customers under direct lease agreements.

The following sets forth the condensed balance sheets for Colorado as at May 31, 1970 and February 28, 1971 and a pro forma combined condensed balance sheet of the Company as at April 30, 1971 and of Colorado as at February 28, 1971.

ASSETS

	Colorado as at		Pro Forma Combined
	May 31, 1970	February 28, 1971	1971
	(000's Omitted)		
Current Assets:			
Cash	$ 338	$ 24	$ 5,653
Accounts receivable, net	493	87	14,542
Inventories	377	655	41,358
Other	34	89	1,597
Total current assets	1,242	855	63,150
Rental Machines, net	—	116	52,350
Fixed Assets, net	379	453	16,048
Other Assets	149	141	12,403
	$1,770	$1,565	$143,951

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:			
Notes payable (includes current portion of long-term debt)	$ 5	$ 444	$ 3,702
Accounts payable	142	169	8,180
Federal and foreign income taxes	—	—	2,504
Other	205	207	4,905
Total current liabilities	352	820	19,291
Convertible Debentures	—	—	45,000
Other Long Term Debt	86	83	27,952
Other Deferred Credits	—	135	1,869
Stockholders' Equity	1,332	527	49,839
	$1,770	$1,565	$143,951

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The pro forma combined column reflects in "Other Assets" the excess of the value of the Company's stock to be exchanged for Colorado's assets over the book value of the net assets of Colorado pending an appraisal of the assets to be acquired, and in "Stockholders' Equity" the issuance of 1 share of the Company's Common Stock for each 9 shares of common stock of Colorado outstanding as at February 28, 1971.

If the merger is consummated, the Company expects to reduce various expenses presently being incurred by Colorado, especially expenses attributable to selling, service and administrative matters and other items of a duplicative nature. The Company will also attempt to increase sales. Other than this, the Company has no present plans to alter substantially Colorado's method of doing business. However, there can be no assurance that the pattern of losses presently being realized by Colorado can be reduced or eliminated if the merger is consummated or that the Company may not determine to make alterations in Colorado's method of doing business.

PRICE RANGE OF COMMON STOCK

The Common Stock of the Company is listed on the New York Stock Exchange. Prior to February, 1970 the Common Stock had been listed on the American Stock Exchange. The following table sets forth, for the periods indicated, the high and low sales prices per share on the American Stock Exchange (through February 13, 1970) and on the New York Stock Exchange thereafter.

	High	Low		High	Low
1969 1st Quarter.....	$79.00	$59.75	1970 3rd Quarter.....	$41.50	$18.13
2nd Quarter.....	85.50	66.25	4th Quarter.....	40.63	23.50
3rd Quarter.....	89.13	69.00	1971 1st Quarter.....	37.13	23.13
4th Quarter.....	81.25	68.00	2nd Quarter.....	47.38	33.50
1970 1st Quarter.....	87.00	55.50	3rd Quarter		
2nd Quarter.....	63.50	21.50	(to August 20)....	35.00	21.50

On August 20, 1971 the reported last sale price on the New York Stock Exchange was $26.75.

BUSINESS AND PROPERTIES

General

The Company both sells and leases in a variety of markets electronic data processing equipment designed to be used in association with most computer systems. Its principal products are (1) data input devices, such as DATA-RECORDERS, used to transcribe information by use of a keyboard from source documents and other media directly to standard computer-compatible magnetic tape, which is then processed into a computer; (2) data communications devices used, in conjunction with telephone and other devices, to facilitate the transmission of data to and from various locations, which information can then be processed into a computer or received by other peripheral devices for print-out; (3) media conversion devices used to effect the conversion of information from one medium to another, such as punch card to magnetic tape or paper tape to magnetic tape; and (4) data output devices such as high and low speed printer systems incorporating a broad range of performance capabilities for use with computers and other information processing equipment. Other products include tape drives; high speed digital listers for use in measurement equipment; various speed card punches and card readers; paper tape readers, interpreters and high speed punches; and specialized computer and other special purpose inked ribbons and perforated tags.

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In February 1971 the Company announced its System 2400, a highly flexible system with a wide range of peripherals interfaced with a high performance peripheral processor. The new system was designed for use with the third generation of computers, and timed to coincide with the initial phase of the new IBM System/370 cycle. Deliveries of the System 2400 have only recently commenced, and although the Company has made a major manpower and financial commitment to the development and marketing thereof, there can be no assurance that the Company will be able to market the System 2400 successfully.

Marketing

The Company's customers may be divided into four main classifications: the customer which rents or buys the Company's equipment for its own use (an "End User"), the electronic data processing original equipment manufacturer ("OEM") which buys the Company's equipment for resale and as a component part of its own system, the United States Federal Government and the purchasers of supplies for data processing equipment.

End User Market

In the End User market the Company's primary products are its DATA-RECORDER series and high and low speed printer systems, which are suitable for use with over 90% of the magnetic tape computers presently on the market. Various models and configurations of models of the DATA-RECORDER series have applications in the data processing areas of computer input, transmission or communications, and media conversion (e.g., paper tape to magnetic tape, punch cards to magnetic tape). Other Company products fill market needs in the areas of data collection and computer output.

During each of the fiscal periods ended in 1969, 1970 and 1971, substantially all of the Company's equipment shipped domestically to End Users was on a rental basis. The Company's basic lease agreement provides for an initial term of one year and continues thereafter on a month to month basis until terminated by either party. The Company also leases equipment to End Users pursuant to extended term leases ranging from two to five years, with options to extend for additional periods. Such leases provide the End User with significant discounts from the basic one-year lease rental charges and enable the End User to include additional equipment under such leases.

Equipment is distributed nationally to End Users through branch offices located throughout the country. Multiple unit usage is common; most customers have two or more units and several have 200 or more.

OEM Market

The products sold to OEM customers include the DATA-RECORDER series, BUFFERED TAPE UNITS, printers and print heads, card readers and punches, and paper tape readers, punches and interpreters. The Company also sells to OEM customers a full complement of spare parts for such equipment. OEM customers generally receive substantial volume discounts and generally market any products purchased from the Company under their own labels.

The single largest OEM customer in both the domestic and foreign markets is National Cash Register Company ("NCR"), which accounted for approximately 25%, 20% and 14% of total revenues during the fiscal periods ended in 1969, 1970 and 1971, respectively. Most sales to NCR are made pursuant to a contract, as amended, giving NCR the exclusive worldwide right, with the exception of the Company's sales force, to market the DATA-RECORDER series and certain other

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products. Such exclusivity will terminate in the event NCR fails to purchase products under the contract at the rate of 1500 units per annum, and will terminate outside of the United States and Canada in the event 800 units are not purchased per annum for use outside of the United States and Canada. Although shipments to NCR have been decreasing during the past two years (see page 6 hereof), NCR is presently purchasing products at a level sufficient to maintain such exclusivity. Under the contract, NCR receives volume discounts for products purchased thereunder which vary according to the product and the aggregate annual volume of NCR purchases. Such contract may be terminated by either party upon three years' prior written notice.

U. S. Federal Government Market

The Company is marketing its equipment other than the DATA-RECORDER series on a rental and sales basis to the Federal Government and certain of its prime contractors. In addition, the Company sells spare parts to the purchasers of such equipment. NCR has the exclusive right to market the DATA-RECORDER series to the Federal Government until terminated upon one year's prior written notice, except that under the NCR contract, as amended, the DATA-RECORDER series, if connected to a data processing system produced by the Company, may be marketed to the Federal Government by the Company.

The Company has contracted to supply the Army Electronics Command with high speed page printers for the military world-wide communications system known as the Automatic Digital Information Network ("Autodin"). The Company previously had supplied said agency with printers under the Autodin program. Deliveries under such contract commenced in May 1971 and are to continue until March 1972. The Company has also subcontracted with one of the prime contractors in the Autodin program to deliver card punches and high speed interpreters until March 1972. It is expected that the revenues to be received by the Company from such contracts will approximate $2,400,000.

Supplies Market

The Company produces specialized computer and other special purpose inked ribbons for the supplies market; it manufactures and sells paper tickets for its data collection system to the retail, garment and textile industries.

Revenues

Sales of the Company's products accounted for approximately 73%, 61% and 44% of total revenues for the fiscal periods ended in 1969, 1970 and 1971, respectively, and the balance was represented by rental and service income. See "Consolidated Statement of Income" on page 4 hereof. All of the Company's products are electronic data processing equipment and supplies therefor.

Foreign operations accounted for approximately 22%, 31% and 42% of total revenues for the fiscal periods ended in 1969, 1970 and 1971, respectively. The percentage of such revenues attributable to sales and to rentals was substantially similar to that of domestic operations. Net income from foreign operations amounted to approximately $1,810,000, $3,280,000 and $2,240,000 for the fiscal periods ended in 1969, 1970 and 1971, respectively. While it is the Company's policy to price equipment rented and sold in foreign markets so that the gross profit margins on foreign and domestic revenues are not significantly different, foreign operations have been more profitable than domestic operations, particularly in fiscal 1971 during which period domestic operations were at a loss. Historically, a significant percentage of sales of foreign subsidiaries has been to independent distributors and End Users, which sales have higher profit margins than do domestic sales which have been predominantly to original equipment manu-

facturers. In addition, domestic operations were adversely affected by the factors set forth in the material commencing on page 7 hereof.

Foreign Operations

The Company distributes its products through its sales and service offices in Canada and most countries in Western Europe and through foreign representatives in more than 50 other countries. The Company has manufacturing facilities in Menden, West Germany and Eaglescliffe, England. See "Plant and Personnel."

Production

Production operations involve the assembling of parts, components and units purchased from others, and the manufacturing of mechanical and printed circuit components. Alternate sources are available for most items purchased. The Company's engineering staff has designed many of the special devices employed to accelerate the intricate assembly processes while adhering to rigid quality standards.

Engineering

The Company's engineering program is directed primarily towards the design and development of new products for the data processing industry and is oriented to applications and systems engineering in the data input, data communications, media conversion and data output fields. In addition, the engineering department provides substantial assistance and support to the Company's manufacturing and marketing operations. The Company employed 140 engineers at June 30, 1971.

The Company holds numerous patents (including a patent issued in 1969 on certain features of the DATA-RECORDER), and has applied for additional patents. While the Company feels that these patents and patent applications, and additional patents that may be applied for, are and will be of value, it believes such patents and applications will not be determinative of the Company's success, which depends principally upon its manufacturing, engineering, marketing and service skills and the quality and economic value of its products rather than upon patent protection.

Competition

In the electronic data processing field, competition is intense and technological advances are rapid. The Company encounters active competition from a number of independent manufacturers of peripheral equipment for electronic data processing systems and from certain large computer manufacturers which produce and market such equipment and also compete by offering such equipment to other systems manufacturers. Some of these competitors have far greater resources and facilities than the Company and, considered in the aggregate, compete in the entire line of equipment marketed by the Company. Recently announced pricing changes by International Business Machines Corporation and others are expected to significantly intensify this competition.

Plant and Personnel

The Company has its principal office in Herkimer, New York and its financial and legal office in New York, New York. Its chief manufacturing facilities are in Herkimer, New York; Stoneham, Massachusetts; King of Prussia, Pennsylvania; and Menden, West Germany; with other production facilities in New York, Minnesota, California and England. The Company has more than 150 sales and service offices throughout the United States and in foreign countries, each of which maintains a supply of spare parts and devices used by Company-trained field service engineers to install and maintain Company equipment.

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In Herkimer, the Company carries on manufacturing operations and applications and systems engineering functions in three buildings, aggregating approximately 300,000 square feet, all of which buildings are of masonry and steel frame construction, located on approximately 38 acres of land owned by the Company. See "Capitalization" for information with respect to mortgages on the buildings. The Company's research and development facilities in Stoneham, Massachusetts consist of two buildings aggregating 65,000 square feet. The Company's operations in King of Prussia, Pennsylvania are conducted in two leased plants aggregating 100,000 square feet. The Company's West German subsidiary manufactures DATA-RECORDERS and printers in a 56,000 square-foot plant in Menden, West Germany. The Company's other manufacturing facilities aggregate approximately 93,500 square feet, of which approximately 32,500 square feet are owned and the balance leased, as are its sales and service offices in the United States and abroad. The Company also maintains schools in Herkimer, Menden and Utica, N. Y. for training its salesmen and field service engineers and the personnel of its customers. The Company also owns two warehouses, aggregating approximately 130,000 square feet, and leases additional warehousing space. See Note J of Notes to Financial Statements with respect to annual rentals payable.

As of June 30, 1971, the Company employed approximately 3,700 persons on a full time basis in its domestic operations and approximately 1,600 persons in its foreign operations. The Company believes that its relations with its employees are excellent.

MANAGEMENT

The executive officers and directors of the Company are as follows:

V. E. Johnson*	Chairman of the Board
Richard P. Rifenburgh*	President and Director
Richard L. Karpen	Executive Vice President and Director
Otto Stitz	President of MDS-International, Inc. and Director
Wayne Wells*	Executive Vice President, Treasurer and Director
Pat B. Smith	Vice President and Director
Philip J. Ablove	Vice President and Secretary
Orrin B. Craigie	Vice President
John J. Egan, Jr.	Vice President
H. Van Forsythe	Vice President
John D. Hazzard	Vice President
David Hemphill	Vice President
Robert J. Hingre	Vice President
Robert T. Pearson	Vice President
Carl R. Pite	Controller
Robert Groben	Director
Paul R. Judy	Director
Lorne H. King	Director
Max Philipson	Director
Theodore D. Robinson	Director
Herbert Roth, Jr.	Director

*Member of the Executive Committee. Messrs. Karpen and Stitz are alternate members.

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Messrs. Johnson, Rifenburgh and Smith have been with the Company since its inception in 1964. Mr. Karpen has been with the Company since 1967, prior to which he had been with Control Data Corporation, his last position there being Director of Engineering of the Government Systems Division. Mr. Stitz has been with the Company since 1967, prior to which he was employed by Remington Rand G.m.b.H. in Germany. Mr. Wells joined the Company in 1968, prior to which he was a partner of S. D. Leidesdorf & Co., certified public accountants.

Mr. Ablove, who is also General Counsel of the Company, joined the Company in 1968, prior to which time he was associated with the firm of Boyd & Holbrook, New York, N. Y. Mr. Craigie joined the Company in July, 1969, prior to which time he had been employed by the Univac Division ("Univac") of Sperry Rand Corporation for 16 years. Mr. Egan joined the Company in January, 1971, prior to which he had been with Univac for more than the previous five years. Messrs. Forsythe and Pearson were with Anelex Corporation prior to its merger into the Company in 1967. Mr. Hazzard joined the Company in August, 1970, having been with Data Products Corp. for the previous two years, before which he had been employed by Univac. Mr. Hemphill was employed by the Company in February, 1968, prior to which time he was employed by Univac for the previous five years. Mr. Hingre has been with the Company for more than the past five years. Mr. Pite joined the Company in March, 1969, prior to which time he had been employed by Management Assistance Inc. for the previous five years.

At June 30, 1971, all present directors and officers of the Company as a group (21 persons) owned 567,784 shares of Common Stock, or approximately 9.94% of the shares then outstanding. No person owned of record, and the Company did not know of any person who owned beneficially, 10% or more of the Company's Common Stock at such date.

Remuneration of Directors and Officers

The Company has recently changed its fiscal year end from July 31 to April 30, and therefore its most recent fiscal year consisted of the nine months ended April 30, 1971. The aggregate remuneration paid by the Company and its subsidiaries for services in all capacities during the twelve-month period ended April 30, 1971 to each person who was a director at any time during such fiscal period whose aggregate direct remuneration exceeded $30,000 and to each of the three highest paid officers of the Company, and to all persons as a group who were directors or officers of the Company at any time during such fiscal period, and the estimated annual retirement benefits of each individual named below under the Company's Pension Plan, were as follows:

Name of Individual or Number of Persons in Group	Capacities in Which Remuneration Was Received	Aggregate Direct Remuneration	Annual Estimated Pension Benefits Upon Retirement(1)
V. E. Johnson	Chairman of the Board of the Company	$ 75,000	—
Richard P. Rifenburgh	President of the Company	72,500	$5,496
Wayne Wells	Executive Vice President and Treasurer of the Company	68,33	3,629
Otto Stitz	Officer of the Company's European subsidiaries	60,000(2)	(2)
Richard L. Karpen	Executive Vice President of the Company	58,333	4,052
Patrick B. Smith	Vice President of the Company	50,000	2,379
All directors and officers as a group (24 persons)		757,590	—

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(1) Assuming that (i) each such individual will retire at attainment of normal retirement age (65), (ii) each (with the exception of Mr. Johnson, who is presently receiving a nominal salary as Chairman of the Board) will be paid at least $20,000 per year until retirement, (iii) benefits under the Pension Plan are not altered prior to retirement, and (iv) all actuarial costs and expenses of the Pension Plan are paid by the Company.

(2) Mr. Stitz is compensated pursuant to employment contracts with certain of the Company's European subsidiaries, expiring in 1975 and renewable thereafter on a year-to-year basis, providing for aggregate annual remuneration of approximately $60,000 and aggregate pension benefits of approximately $12,600 per year commencing at age 65 if he is then employed by such subsidiaries. Mr. Stitz does not participate in the Company's Pension Plan but under applicable law he is entitled to a pension of approximately $3,000 per year at retirement after age 60.

Under the Company's Profit-Sharing Retirement Plan for Employees, benefits are accrued for domestic employees. An amount equal to approximately 3% of the Company's consolidated net profits before income taxes is contributed to such Plan for each fiscal year. The contribution is allocated equally among all participants up to $200. Any excess contribution above such amount is allocated among all participants based on salary up to a maximum of $20,000 per year. Messrs. Johnson, Rifenburgh, Karpen, Wells and Smith are participants in such Plan, and each had an account balance thereunder as of April 30, 1971 in the approximate amount of $270.

Interest in Certain Transactions

A. G. Becker & Co. Incorporated, of which Paul R. Judy is president, received $93,525 as gross underwriting discounts in connection with the sale in May, 1969 of the 5½% Subordinated Guaranteed Debentures due 1989 of MDS Capital Corporation. In addition, A. G. Becker & Co. Incorporated and Max Philipson & Co., Inc., of which Max Philipson is president, received $161,340 and $2,250, respectively, as gross underwriting discounts in connection with the sale in December, 1969 of the Company's 5½% Convertible Subordinated Debentures due December 15, 1994.

1970 STOCK OPTION PLAN

In November 1970 the stockholders of the Company adopted the 1970 Stock Option Plan (the "1970 Plan"), providing for the granting to key employees of the Company and its subsidiaries of options to purchase up to an aggregate of 400,000 shares of Common Stock of the Company. Subject to stockholder approval, the Board of Directors has increased the number of shares covered by the 1970 Plan to 550,000 shares. The 1970 Plan was adopted in order to stimulate the efforts of the Company's key employees, to strengthen their desire to remain with the Company and its subsidiaries, to provide them with a more direct interest in its welfare and to assure a closer identification between them and the Company. The Company urges persons holding stock options granted by the Company to compare the following description of the 1970 Plan with the information set forth under "Other Option Plans" and to refer to the Company's Prospectus, dated December 14, 1970, for a more detailed description of the options referred to thereunder. Upon the adoption of the 1970 Plan by its stockholders, the Company terminated its then existing option plans, except for options outstanding thereunder.

Options under the 1970 Plan may be granted at any time on or prior to July 9, 1980. The Company's Stock Option Committee which administers the 1970 Plan may grant options to key employees, including officers, without Board of Directors' approval (except in the case of a member of the Stock Option Committee), upon such terms and conditions as it sees fit, subject only to the requirements that the

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exercise price of any such option shall not be less than the fair market value of the Company's Common Stock at the date of grant (Board of Directors' approval being required for any grant at less than the fair market value, provided that no option may be granted at less than 75% of such fair market value) and that the expiration date for any such option shall not be more than 10 years after the date of grant thereof. There is no minimum or maximum number of shares which may be subjected to options granted to any one employee. Options granted under the 1970 Plan are not transferable (other than by will or by the laws of descent and distribution), and if an optionee ceases to be employed by the Company or any of its subsidiaries for any reason, any such option held by him will terminate immediately, except that in the event of death his option will expire one year after the date of death (unless it expires sooner by its terms).

The 1970 Plan is not intended to constitute a qualified stock option plan within the meaning of the Internal Revenue Code of 1954, as amended. Provisions described in subparagraphs (a) and (b) below have been included in the options heretofore granted under the 1970 Plan in an attempt to place optionees in a tax position substantially equivalent to that of a person exercising an option granted under a qualified stock option plan, based on his salary and marital status. It should be noted that the Stock Option Committee is not required to include such provisions in options granted under the 1970 Plan. Since the Committee is authorized to include any provisions deemed necessary or desirable with respect to options granted under the 1970 Plan, the Committee may in the future eliminate, modify, alter or expand the provisions relating to income taxes set forth in such subparagraphs (a) and (b), though there is no present intention to do so. The 1970 Plan contains no provisions restricting the Company from granting additional options under the 1970 Plan to holders of outstanding options thereunder, whether in substitution for such options or otherwise. Such additional options may be made exercisable at earlier dates and at lower exercise prices than outstanding options.

Options under the 1970 Plan include anti-dilution provisions which become effective in the event of the declaration of any stock dividend, stock split-up, combination, exchange of shares or the like or of any recapitalization, merger or consolidation. When options granted under the 1970 Plan terminate or expire without having been exercised in full, further options covering the shares not purchased may be granted. The Board of Directors may amend the 1970 Plan at any time it deems advisable; provided, however, that any amendment which shall (i) increase the aggregate number of shares of Common Stock which may be issued and sold upon the exercise of options, or (ii) reduce the minimum purchase price per share, shall be subject to approval by the stockholders of the Company within twelve months after its adoption by the Board of Directors or the same shall become null and void.

The Company has been advised by its counsel that under the Internal Revenue Code as presently in effect the amount equal to the difference between the option price and the fair market value of the Company's Common Stock at the date of exercise would be taxable to the employee as ordinary income. In addition, any amounts received by the employee in accordance with subparagraphs (a) and (b) below would also be taxable as ordinary income. Amounts taxable to the employee as ordinary income are deductible by the Company in the same year under Section 162 of the Internal Revenue Code.

All options heretofore granted to domestic employees under the 1970 Plan include, and it is presently contemplated that any additional options which may be granted to domestic employees hereafter under the 1970 Plan will include, the following provisions:

(a) If the exercise, in whole or in part, of an option would result in the employee's receiving income upon which the Company would be required to withhold Federal income taxes, upon the request of the employee, the Company will advance to the employee for deposit in his withholding account an amount equal to such withholding, such advance to be evidenced by a non-interest

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bearing Promissory Note. Such Note will be due upon the earlier of termination of employment or six months after exercise of the option to which the Note relates.

(b) If the exercise, in whole or in part, of an option would result in the employee's receiving income which would not be treated as long-term capital gain for Federal income tax purposes, the Company will pay as additional compensation to the employee, six months after such exercise, an amount which shall be equal to the difference between (i) the Federal and other income taxes payable by the employee for the taxable year in which income is realized by the employee on account of such exercise (for the purpose of any such calculation it will be assumed that the employee's income consisted solely of his salary from the Company and any income realized as a result of such exercise of an option, his exemptions were based upon himself, his spouse and the number of his dependents at the end of such taxable year and that no deductions were available to him other than the standard deduction provided in the Internal Revenue Code), and (ii) the taxes, calculated in the same manner as in (i) above, which would have been payable if such exercise of an option had not taken place. In no event, however, shall the amount to be paid by the Company hereunder exceed 50% of the product of (x) the difference between the market price for the Company's Common Stock at the date of such exercise and the option price provided for in the option and (y) the number of shares issued on such exercise. Further, no such payment shall be made unless at the time of such payment the employee shall have been continuously in the employ of the Company or a subsidiary of the Company since the date of grant of the option.

All 1970 Plan options granted to foreign employees of the Company's foreign operations include, and it is presently contemplated that any additional options hereafter granted to such employees will include, provisions comparable to those described immediately above.

Options to purchase an aggregate of 417,000 shares were outstanding under the 1970 Plan at July 30, 1971 at an average exercise price of $24.20 per share, which options expire between July 9, 1980 and July 22, 1981. The aggregate market value of such shares at August 20, 1971 was $11,154,750. Messrs. Rifenburgh, Wells, Karpen, Stitz and Smith presently hold options to purchase 22,000, 19,000, 17,000, 14,500 and 5,000 shares, respectively, exercisable at an average price of $24.28 per share. In addition, directors and officers as a group presently hold options to purchase an aggregate of 122,200 shares at an average exercise price of $24.34 per share. The aggregate market value of the shares covered thereby at August 20, 1971 was $3,268,850.

OTHER STOCK OPTIONS

In 1964 the stockholders approved a Qualified Stock Option Plan (the "First Plan") which provided for the granting of options to key employees at a price of not less than 100% of the fair market value of the shares on the date of grant. Options are exercisable in whole or in part beginning 12 months from the date of grant, but not more than five years from such date.

In 1967 the stockholders approved a Second Qualified Stock Option Plan (the "Second Plan") which provided for the granting of options to key employees of the Company and its subsidiaries at a price of not less than 100% of the fair market value of the shares on the date of grant. Options are exercisable beginning one year from the date of grant and then to the extent of 25% per year on a cumulative basis, and expire five years from the date of grant.

Both the First Plan and Second Plan options are intended to be "qualified stock options" as that term is defined in Section 422 of the Internal Revenue Code of 1954, as amended. The First Plan and Second Plan, as well as the Foreign Option Plan referred to below, were terminated by the Company in November 1970 upon adoption of the 1970 Plan by the stockholders.

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In 1969 the stockholders adopted a Stock Option Plan for Foreign Employees (the "Foreign Option Plan") which provided for the granting of options to key employees who, at the time of grant, were non-resident aliens of the United States engaged principally in the foreign operations of the Company. The option prices are not less than the fair market value of the shares on the date of grant. The options are presently exercisable at any time, and expire five years after the date of grant.

Prior to the adoption of the Foreign Option Plan, the Company had granted options to purchase shares of its Common Stock to certain key employees of its foreign operations. The terms of those options granted prior to November 19, 1968 are identical with options granted under the First Plan and, with respect to those options granted on or after November 19, 1968, are identical with options granted under the Second Plan except that (a) such options were granted only to employees who at the time of grant were non-resident aliens of the United States engaged principally in foreign operations of the Company; (b) the exercise price of such options may have been below the fair market value of the shares covered thereby at the date of grant in certain instances; and (c) all of such options were or have become immediately exercisable.

On July 9, 1970, all persons holding any of the foregoing options (hereinafter referred to as "old options") were granted options under the 1970 Plan covering a number of shares equal to the total number of shares covered by all old options then held by them. Messrs. Karpen and Wells hold old options covering 8,000 and 12,000 shares, respectively, exercisable at average exercise prices of $53.55 and $65.82 per share, and directors and officers as a group hold old options covering 37,100 shares, exercisable at an average exercise price of $65.33, which options expire between August 21, 1972 and March 23, 1975. The aggregate market value of such shares at August 20, 1971 was $992,425. The exercise of any old option will automatically terminate the 1970 Plan option granted to such person in respect of such old option, and such 1970 Plan option granted in respect of such old option provides that upon exercise thereof all old options held by such person must be surrendered for cancellation. Old options to purchase an aggregate of 158,150 shares were outstanding at July 30, 1971 at an average exercise price of $73.01.

Anelex Options

On the consummation of the merger of Anelex Corporation in 1967 the Company assumed outstanding Anelex restricted stock options, as such term is defined in Section 424 of the Internal Revenue Code of 1954, as amended. At June 15, 1971 an aggregate of 1,666 shares were covered by such options at an exercise price of $17.82 per share, which expire on August 7, 1972. No director or officer of the Company holds any such option.

Atron Merger

In connection with the merger of Atron Corporation into a subsidiary of the Company on April 30, 1971, such subsidiary assumed the then outstanding Atron qualified stock options, as such term is defined in Section 422 of the Internal Revenue Code of 1954, as amended. The terms of such options are similar to options granted under the Second Plan. At June 15, 1971 holders of such options were entitled to receive upon exercise thereof an aggregate of 5,355 shares of Common Stock at an average exercise price of $19.68 per share. Such options expire between December 11, 1973 and January 5, 1975. No director or officer of the Company holds any such option.

Stock Purchase Plan

In 1968 the stockholders adopted an Employee Stock Purchase Plan (the "Stock Purchase Plan"), which provides for the granting of options covering the purchase of up to 150,000 shares of the Company's

Common Stock. The Stock Purchase Plan includes the provisions believed necessary to comply with the requirements imposed by Section 423 of the Internal Revenue Code of 1954, as amended.

When options are granted, they provide to all eligible employees (defined as employees, including officers, of the Company and its domestic subsidiaries) the right to purchase one share of the Company's Common Stock for each full $500 of his annual rate of compensation (as defined) up to a maximum of $20,000. The option price must be not less than the fair market value of the Company's Common Stock on the date of grant, and payment may be made either immediately or by means of a payroll deduction or another installment method as determined by the committee administering the Stock Purchase Plan, with the approval of the Board of Directors. In any event, all options must be exercised and all shares paid for in full within 27 months from the date of grant of the option.

On July 9, 1970 the Company granted options covering an aggregate of 48,971 shares of Common Stock at an exercise price of $23.00 per share. At June 30, 1971 an aggregate of 25,048 such shares were subscribed for by employees and options covering an aggregate of 121,255 shares were available for grant. Messrs. Rifenburgh, Karpen and Wells have each subscribed for 40 shares, and officers and directors as a group have subscribed for 400 shares. In addition, on August 5, 1971 options were granted under the Stock Purchase Plan at an exercise price of $22.50 per share. Employees have the right to subscribe for the shares covered by such options until September 14, 1971.

DESCRIPTION OF COMMON STOCK

The holders of shares of the Company's Common Stock are entitled to one vote for each share held, have equal rights to dividends from funds legally available therefor when, as and if declared by the Board of Directors, and are entitled, upon liquidation, to share ratably in all assets legally available for distribution to shareholders. The Common Stock is not redeemable and has no preemptive or conversion rights. All outstanding shares of Common Stock are fully paid and non-assessable by the Company.

The shares of Common Stock issuable upon exercise of options granted under the 1970 Plan or initially issued by Atron Corporation, upon exercise of the warrants described under "Description of Warrants" and upon conversion of the 5½% Subordinated Guaranteed Debentures due 1989 of MDS Capital Corporation will, when issued upon such exercise or conversion, be fully paid and non-assessable by the Company.

The Indenture dated as of December 15, 1969 between the Company and Chemical Bank, as Trustee, under which the Company issued $30,000,000 principal amount of 5½% Convertible Subordinated Debentures due December 15, 1994, restricts the payment of dividends (other than stock dividends) and the purchase of any class of capital stock of the Company to an amount not exceeding the sum of (a) Consolidated Net Earnings (as defined in said Indenture) accrued subsequent to July 31, 1969, (b) the aggregate net proceeds received by the Company from sales of its capital stock subsequent to July 31, 1969 (but only to the extent that such net proceeds are equal to or more than the aggregate cost of all shares of capital stock of the Company acquired or redeemed subsequent to July 31, 1969), and (c) $7,500,000. No cash dividends have been declared or paid to date, and the Company does not intend to pay cash dividends on its Common Stock in the forseeable future.

A class of Preferred Stock, issuable in series from time to time by action of the Board of Directors, was authorized by the stockholders in 1968. All shares of such Preferred Stock, regardless of series, will be entitled to preference over shares of the Common Stock in the distribution of dividends or assets or both. At the date hereof no such series of Preferred Stock has been created.

DESCRIPTION OF WARRANTS

There are presently outstanding warrants to purchase an aggregate of 42,500 shares of the Company's Common Stock, which were assumed by the subsidiary of the Company into which Atron Corporation

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was merged in April 1971. Warrants to purchase 37,500 shares were originally issued to the public in January 1970 as part of the initial public offering of Atron, are exercisable until January 31, 1975, and entitle the holders thereof to purchase from such subsidiary shares of the Company's Common Stock at a price of $68 per share. Such warrants are presently traded in the over-the-counter market. Warrants to purchase 5,000 shares were originally issued by Atron in September 1969 and are exercisable until September 16, 1977. Of such warrants, warrants to purchase 2,500 shares are exercisable at $25.00 per share and the remaining warrants are exercisable at $60.00 per share.

All of the warrants contain anti-dilution provisions which take effect in the event of stock dividends, splits, recapitalizations and the issuance of Common Stock by the Company at less than the then applicable exercise price.

Certificates representing fractional shares will not be delivered upon the exercise of the warrants, but in respect of any fraction of a share payment will be made in cash based on the then market price of such shares as determined by the Warrant Agent for the warrants.

SELLING STOCKHOLDERS

The following persons acquired the shares of the Company's Common Stock which they intend to sell by means of this Prospectus through the exchange therefor of their holdings of Common Shares of Atron Corporation in connection with the Atron merger:

Name of Stockholder	Shares Owned	Shares to be Sold	Shares to be Retained
Wesley J. Anderson, custodian for two children	250	250	—
Dolores F. Anderson	125	125	—
Wesley J. Anderson	2,125	2,125	—
Boston Equity Associates	3,750	3,750	—
Francis H. Cabot, as trustee FBO three children	798	798	—
Coronet Fund	5,312	5,312	—
Creative Capital Fund	4,062	4,062	—
Fred Alger & Company Inc. et al Pension Trust	2,500	2,500	—
Profit Sharing Trust	3,750	3,750	—
Jack H. Germaine	2,750	200	2,550
Robert D. Goldberger Investment Co.	1,250	1,250	—
Robert J. Gountanis	6,500	300	6,200
John R. & Cecilia P. Halsey	6,250	6,250	—
John R. Halsey	937	937	—
James J. & Mary C. Horan	1,250	1,250	—
H. Kaye Kerr	1,250	1,250	—
Ladenburg, Thalmann & Co.	3,750	3,750	—
Pierre J. LeLandais	208	208	—
Pierre J. LeLandais & Co., Inc.	1,375	1,375	—
Marine Midland Bank-Western, as trustee of the Company's Employee Pension Plan Trust	6,000	4,000	2,000

Name of Stockholder	Shares Owned	Shares to be Sold	Shares to be Retained
Finley E. McLeod	4,268	1,000	3,268
L. E. Miller Investment Co.	2,500	2,500	—
John E. Miller	2,500	1,500	1,000
George D. O'Neill	400	400	—
Abby M. O'Neill	800	800	—
Harry & Ruth Pleu	2,500	2,500	—
Gerald Rauenhorst	2,500	2,500	—
Research & Science Investors Inc.	2,500	2,500	—
SCI Capital, Inc.	729	729	—
Joseph S. Stoutenburgh	9,250	1,250	8,000
Tamarack Associates	3,125	3,125	—
Value Line Development Capital Corp.	3,125	3,125	—
Joseph Wayne Whitney	5,625	5,625	—
Loren L. Wyss	1,250	1,250	—

In addition, Ladenburg, Thalmann & Co. holds and will continue to hold warrants to purchase 2,500 shares of the Company's Common Stock at $60.00 per share.

LEGAL MATTERS

The legality of the securities offered hereby will be passed upon by Messrs. Beekman & Bogue, Five Hanover Square, New York, New York 10004. A member of such firm owns 540 shares of Common Stock of the Company.

EXPERTS

The financial statements and related schedules of the Company and its subsidiaries included in this Prospectus and elsewhere in the Registration Statement, other than those designated as "Not Covered by Accountants' Report" and "Unaudited", have been examined by S. D. Leidesdorf & Co., independent public accountants, as set forth in the report of that firm included herein. Such financial statements and schedules have been so included herein in reliance upon the report of such firm given upon its authority as experts in accounting and auditing.

ADDITIONAL INFORMATION

This Prospectus omits certain information contained in the Registration Statement on file with the Securities and Exchange Commission, relating to the Company and the securities offered by this Prospectus. For further information, reference is made to the Registration Statement and to the exhibits and financial statements and schedules filed as a part thereof. Statements contained in this Prospectus as to the contents of any contract or other document are not necessarily complete, and where such contract or other document is an exhibit to the Registration Statement reference is made thereto, and each such statement is deemed to be qualified and amplified in all respects by the provisions of such exhibit.

Plaintiffs' Exhibit 21

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders
Mohawk Data Sciences Corp.

We have examined the consolidated balance sheets of Mohawk Data Sciences Corp. and subsidiaries as at April 30, 1971 and as at July 31, 1970, and the related consolidated statements of income, capital in excess of par value and retained earnings and source and use of working capital for the three years ended July 31, 1970 and the nine months ended April 30, 1971. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements mentioned above present fairly the consolidated financial position of Mohawk Data Sciences Corp. and subsidiaries at April 30, 1971 and at July 31, 1970 and the consolidated results of their operations and source and use of their working capital for the three years ended July 31, 1970 and the nine months ended April 30, 1971 in conformity with generally accepted accounting principles applied on a consistent basis, after giving retroactive effect to the change, which we approve, set forth in Note (b) to the consolidated statement of income.

S. D. LEIDESDORF & CO.

New York, N. Y.
July 14, 1971

Plaintiffs' Exhibit 21

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	April 30, 1971	July 31, 1970 (Restated)*
	——(000's Omitted)——	
Current Assets:		
Cash (including time deposits of $1,776,000 and $3,722,000)	$ 5,629	$ 11,726
Accounts receivable—principally trade, less allowance of $1,435,000 and $878,000 for doubtful accounts	14,455	16,925
Inventories, at lower of cost or market—Note B	40,703	41,072
Other	1,508	2,293
Total Current Assets	62,295	72,016
Rental Machines—at cost of production, less accumulated depreciation of $24,735,000 and $15,486,000—Note C	52,234	41,360
Fixed Assets—at cost, less accumulated depreciation of $6,927,000 and $6,080,000—Notes C and G	15,595	15,249
Excess of Cost over Book Equity of Companies Acquired—Note A	2,442	2,442
Long Term Notes and Accounts Receivable, less allowance of $450,000 for doubtful accounts in 1971	3,853	1,298
Deferred Income Taxes—Note D	2,611	1,082
Deferred Charges and Other Assets (including debt expense of $964,000 and $990,000—being amortized over term of debt)	1,798	1,684
	$140,828	$135,131

* See Note A and Notes (a) and (b) to the Consolidated Statement of Income.

The accompanying notes are an integral part of these statements.

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Plaintiffs' Exhibit 21

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	April 30, 1971	July 31, 1970 (Restated)*
	——(000's Omitted)——	
Current Liabilities:		
Notes payable to banks	$ 2,165	$ 14,440
Current portion of long term debt—Note G	1,093	890
Accounts payable	8,011	8,013
Federal and foreign income taxes—Note D	2,504	5,255
Salaries, wages and commissions	1,206	992
Taxes accrued and withheld	1,275	1,824
Other (including accrued interest of $787,000 and $483,000)	2,217	2,824
Total Current Liabilities	18,471	34,238
Convertible Debentures—Note E	45,000	45,000
Notes Payable to Banks—Note F	21,572	
Other Long Term Debt—Note G	6,337	5,336
Unamortized Investment Tax Credits—Note D	785	1,070
Deferred Credits (principally deferred income)	949	733
Stockholders' Equity—Notes A, E, I and J:		
Common Stock, par value $.10 per share; authorized 15,000,000 shares; issued and outstanding 5,710,359 shares (1971) and 5,706,547 shares (1970)	571	570
Capital in Excess of Par Value—see accompanying statements	35,303	35,254
Retained Earnings—see accompanying statements	11,880	12,930
Total Stockholders' Equity	47,754	48,754
Contingencies, Commitments and Other Comments—Note J		
	$140,828	$135,131

* See Note A and Notes (a) and (b) to the Consolidated Statement of Income.

The accompanying notes are an integral part of these statements.

Plaintiffs' Exhibit 21

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CAPITAL IN EXCESS OF PAR VALUE AND RETAINED EARNINGS

	*Fiscal Periods Ended July 31,					*Nine Months Ended April 30,
	1966	1967	1968	1969	1970	1971
	(000's Omitted)					
Capital in Excess of Par Value:	(Not Covered by Accountants' Report)					
Balance at beginning of year (including in 1966, $7 508.000 applicable to companies acquired in poolings-of-interests)—Note A	$ 7,950	$ 8,711	$21,424	$27,752	$29,954	$35,254
Credits (charges) arising from—Notes A and I:						
Excess of net proceeds from sale of Common Stock (including shares issued upon exercise of stock options and stock purchase plan—Note I) over the par value thereof:						
By the Company—673,220, 734,-550, 94,172, 3,073, 8,078 and 1,246 shares, respectively	720	12,494	596	54	328	29
By an acquired company prior to the pooling—147,750 (1969), 75,206 (1970) and 2,566 (1971) shares equivalent to the Company's Common Stock				1,120	4,050	20
Excess of principal amount of convertible debentures over the par value of 36,000, 100,000 and 25,997 shares, respectively, of Common Stock exchanged therefor, net of related debt expense		219	610	1,028		
Excess of net proceeds over the par value of 12,769 shares issued upon the exercise of Common Stock Purchase Warrants					922	
Poolings-of-interests (transactions subsequent to July 31, 1967)			1,292			
Issuance of Common Stock for the purchase of a company			4,102			
Stock splits	41		(272)			
Balance at end of year	$ 8,711	$21,424	$27,752	$29,954	$35,254	$35,303

* See Note (a) to the Consolidated Statement of Income.

Numbers of shares shown above have been adjusted to give effect to the 2 for 1 stock splits in August 1966 and July 1968.

(Continued on following page.)

The accompanying notes are an integral part of these statements.

Plaintiffs' Exhibit 21

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITAL IN EXCESS OF PAR VALUE AND RETAINED EARNINGS—(Continued)

	*Fiscal Periods Ended July 31,					*Nine Months Ended April 30, 1971
	1966	1967	1968	1969	1970	
	(000's Omitted)					
Retained Earnings:	(Not Covered by Accountants' Report)				(Restated)	
Balance (deficit) at beginning of year (including in 1966 and 1970, $1,752,000 and ($185,000), respectively, applicable to companies acquired in poolings-of-interests)	$ 1,388	($ 3,429)	($ 2,097)	$ 954	$ 7,122	$12,930
Net income (loss) for the period	(4,817)	1,332	3,051	6,168	5,808	(1,050)
Balance (deficit) at end of year	($ 3,429)	($ 2,097)	$ 954	$ 7,122	$12,930	$11,880

* See Notes (a) and (b) to the Consolidated Statement of Income.

The accompanying notes are an integral part of these statements.

Plaintiffs' Exhibit 21

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SOURCE AND USE OF WORKING CAPITAL

	*Fiscal Periods Ended July 31,			*Nine Months Ended April 30,
	1968	1969	1970	1971
	(000's Omitted)			
			(Restated)	
Sources of working capital:				
Net income (loss)	$ 3,051	$ 6,168	$ 5,808	($ 1,050)
Depreciation:				
Fixed assets	1,369	1,510	1,961	1,624
Rental machines	2,113	4,662	8,673	9,985
	6,533	12,340	16,442	10,559
Sale of fixed assets and rental machines	606	939	1,979	2,346
Sale of common stock	1,262	1,208	5,310	50
Sale of convertible debentures		15,000	30,000	
Increase in long term debt—net	13,112	11,883		22,533
Working capital at date of acquisition of an acquired company	1,595			
Other	798	570		
	23,906	41,940	53,731	35,488
Uses of working capital:				
Fixed assets	3,108	7,909	3,863	2,939
Rental machines	12,320	17,301	23,902	22,236
Decrease in long term debt—net			22,321	
Other			2,943	4,267
	15,428	25,210	53,029	29,442
Increase in working capital	$ 8,478	$16,730	$ 702	$ 6,046
Increase (Decrease) In Working Capital, By Element				
Cash and accounts receivable	$ 5,772	$ 9,658	$ 2,378	($8,567)
Inventories	5,685	13,856	10,129	(369)
Other current assets	25	1,148	950	(785)
Accounts and notes payable	(283)	(3,897)	(10,007)	12,074
Federal and foreign income taxes	(1,460)	(1,928)	(1,612)	2,751
Other current liabilities	(1,261)	(2,107)	(1,136)	942
Increase in working capital	8,478	16,730	702	6,046
Working capital at beginning of year	11,868	20,346	37,076	37,778
Working capital at end of year	$20,346	$37,076	$37,778	$43,824

* See Notes (a) and (b) to the Consolidated Statement of Income.

The accompanying notes are an integral part of these statements.

Plaintiffs' Exhibit 21

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note A—Principles of Consolidation:

Effective April 30, 1971, the Company changed its fiscal year end from July 31 to April 30.

The accompanying financial statements include the accounts of all domestic subsidiaries for all periods and foreign subsidiaries commencing with the 1968 fiscal year. The financial statements include, on a pooling-of-interests basis, the consolidated accounts of Anelex Corporation, Soroban Engineering, Inc. and Ohr-Tronics, Inc., three companies acquired during fiscal 1968 in exchange for an aggregate of 1,144,946 shares (adjusted for 2 for 1 stock split in July 1968) of Common Stock and the accounts of Atron Corporation acquired April 30, 1971 in exchange for 225,522 shares of Common Stock. See Note (a) to the Consolidated Statement of Income. Another company (H. M. Storms Company) was acquired in 1968 in exchange for 46,906 shares (adjusted for the stock split) of Common Stock and its accounts have been included in the consolidated statement of income from the date of purchase.

Excess of cost over book equity of companies acquired is principally applicable to the above purchased company. Amortization of such intangibles was discontinued in 1969, since, in the opinion of management, there has been no diminution of value; the effect of such change was immaterial.

All material intercompany items and transactions have been eliminated in consolidation. Investments in subsidiaries are reflected on the books of the parent company on the equity method of accounting.

The accounts of foreign subsidiaries have been translated into United States dollars at appropriate historical, average or current rates of exchange. The net unrealized gains or losses on translation (not material) have been credited or charged to income.

Included in the accompanying consolidated balance sheets as at April 30, 1971 and July 31, 1970 are the following amounts applicable to the foreign subsidiaries (exclusive of intercompany balances):

	1971	1970
	(000's Omitted)	
Current assets	$17,492	$16,398
Current liabilities	(8,811)	(14,576)
Rental machines—net	23,665	15,994
Other liabilities—net	(5,454)	(248)
Net assets	$26,892	$17,568

Foreign operations resulted in net income for fiscal 1971 of approximately $2,240,000, for fiscal 1970 of approximately $3,280,000 and for fiscal 1969 of approximately $1,810,000 and a net loss for fiscal 1968 of approximately $211,000. Prior to August 1, 1967, the activities of the foreign subsidiaries consisted almost entirely of start-up operations and net costs prior to that date were deferred to be amortized over the subsequent three-year period. Provision has been made for U. S. income taxes on unremitted foreign earnings to the extent they are not expected to be permanently invested.

NOTES TO FINANCIAL STATEMENTS — (Continued)

Note B—Inventories:

Cost represents invoice or production cost on a first-in, first-out or average basis. Market represents replacement cost or realizable values after provision for estimated costs of completion and sale. The amounts of opening and closing inventories entering into the computation of cost of sales are:

End of fiscal period ended in	(000's Omitted)
1967	$13,656
1968	19,030
1969	31,586
1970	41,072
1971	40,703

Note C—Rental Machines and Fixed Assets:

The following tabulation sets forth rental machines and the major classifications of fixed assets and the estimated useful lives used in computing depreciation and amortization as at April 30, 1971 and July 31, 1970:

	Years	Cost 1971	Cost 1970
		(000's Omitted)	
Rental machines	5 and 8	$76,969	$56,846
Land and improvements	10	$ 1,337	$ 1,209
Buildings and improvements	5-45	6,473	6,881
Machinery and equipment	3-33	13,993	12,648
Construction in progress		719	591
		$22,522	$21,329

For financial reporting purposes, depreciation is computed on rental machines by the 150% declining-balance method as to those machines delivered prior to August 1, 1967; as to those machines delivered after that date, the cost of the machines (domestic companies) is depreciated 20% during each of the first four years and the balance over the remaining life of such assets; the cost of machines delivered by foreign subsidiaries is depreciated over 5 years on a straight-line basis. Depreciation on other fixed assets is computed principally by the straight-line method. Expenditures for maintenance, repairs and renewals are charged to income as incurred. Betterments which significantly extend the useful lives of assets are capitalized. At the time fixed assets are sold, retired or otherwise disposed of, the cost

Plaintiffs' Exhibit 21

NOTES TO FINANCIAL STATEMENTS — (Continued)

thereof and the related accumulated depreciation or amortization are eliminated from the accounts and any gain or loss is credited or charged to income.

The capitalized cost of machines, rented by foreign subsidiaries, which are manufactured in the United States, includes, commencing in 1969, certain handling costs. The effect of such change was not significant.

Note D—U. S. and Foreign Income Taxes:

For income tax purposes, depreciation is computed on rental machines and most fixed assets by accelerated methods and gross profits on certain intercompany sales and sales to third party lessors are not deferred; these policies, together with others, differ from those employed for financial reporting purposes. Provision has been made in the accompanying financial statements for applicable deferred income taxes.

Investment tax credits are amortized over the useful lives of the applicable property. The provisions for Federal income taxes for 1968, 1969, 1970 and 1971 were reduced by amortization of investment tax credits amounting to $176,000, $350,000, $345,000, and $285,000, respectively. Amounts credited to income in prior years were not significant.

As at April 30, 1971, the Company's available net operating loss carry-forwards amounted to approximately $1,200,000 (expiring in 1975) and foreign tax credits amounted to approximately $750,000 (expiring in 1976).

Note E—Convertible Debentures:

The 5½% Convertible Subordinated Debentures (due 1994) of $30,000,000 (payable by the Company) and the 5½% Subordinated Guaranteed Debentures (due 1989) of $15,000,000 (payable by a subsidiary, MDS Capital Corporation, and guaranteed by the Company) are convertible into Common Stock of the Company at $85.50 and $82.00 per share, respectively. The indenture under which the debentures due in 1994 were issued, provides for annual sinking fund payments, beginning in 1979, of 5% of the principal amount outstanding on December 15, 1978.

Note F—Notes Payable to Banks:

Long term notes payable to banks (principally at interest rates which fluctuate with changes in prime or other rates) were issued under credit agreements entered into in 1971 pursuant to which the banks have agreed to loan up to $27,000,000 until March 1974 in the United States and up to $28,000,000 until March 1976 to the Company and its foreign subsidiaries. Such agreements include provisions which, among other matters, relate to the creation of additional borrowings and the maintenance of working capital, as defined.

Annual payments of principal, with respect to the balance payable as at April 30, 1971, required during the next succeeding five fiscal years are $16,200,000 (1974), payable by the Company, and $5,332,000 (1976), payable by foreign subsidiaries and guaranteed by the Company. See Note G for additional annual payments.

Plaintiffs' Exhibit 21

NOTES TO FINANCIAL STATEMENTS — (Continued)

Note G—Other Long Term Debt:

Other long term debt consists of the following as at April 30, 1971 and July 31, 1970:

	1971	1970
	(000's Omitted)	
Notes payable due in 1976 and 1973 (paid in 1971), respectively, (other than under the above credit agreements—Note F) at interest rates of 7% (1971) and 10¼% and 10½% (1970)	$2,400	$1,351
Payments due to third party lessors, payable in monthly installments to 1976	4,033	4,021
2¾% to 7½% Mortgages payable in monthly installments to 1988 (collateralized by certain real estate)	997	854
	7,430	6,226
Less—current portion	1,093	890
	$6,337	$5,336

Of the foregoing, $5,030,000 is payable by the Company and $2,400,000 by a foreign subsidiary, as at April 30, 1971 and $4,875,000 is payable by the Company and $1,351,000 by a foreign subsidiary, as at July 31, 1970.

Annual payments of principal, as at April 30, 1971, on the above long term debt required during the next succeeding five fiscal years are $1,093,000 (1972), $1,147,000 (1973), $1,150,000 (1974), $944,000 (1975), and $2,529,000 (1976). See Note F for additional annual payments.

Note H—Pension and Profit Sharing Plans:

The Company and certain of its subsidiaries have non-contributory pension plans (commenced in 1969) under which there are no unfunded past service costs, and the Company and its domestic subsidiaries have a non-contributory profit sharing retirement plan (commenced in 1970), covering substantially all their employees. Approximately $350,000 (1971), $228,000 (1970) and $475,000 (1969) was provided to cover the cost of the pension plans and $500,000 (1970) was provided to cover the cost of the profit sharing plan. It is the Company's policy to fund pension costs as they accrue, which costs are based upon an appropriate actuarial method. The profit sharing costs represent approximately 3% of consolidated net income before income taxes, as defined (no provision was required in 1971). A change in actuarial assumptions for the pension plan was made during 1970 which had no material effect on net income.

Note I—Common Stock:

In December 1967, the authorized shares were increased to 7,000,000 shares. In July 1968, the Common Stock was split 2 for 1, and in November 1968 the authorized shares were increased to 15,000,000 shares, and 1,000,000 shares of Preferred Stock, par value $1.00 per share, were authorized (none of which has been issued). Where appropriate, effect is given to the stock split.

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NOTES TO FINANCIAL STATEMENTS—(Continued)

The changes in Common Stock issued during the three years ended July 31, 1970 and the nine months ended April 30, 1971, are summarized as follows:

	Shares	
Balance as at July 31, 1967		4,047,650
Shares issued in connection with acquisitions	1,191,852	
Shares issued under stock option plans	94,172	
Shares issued upon conversion of debentures	100,000	
Balance as at July 31, 1968		5,433,674
Shares issued under stock purchase plan	158	
Shares issued under stock option plans	2,915	
Shares issued upon conversion of debentures	25,997	29,070
Balance as at July 31, 1969		5,462,744
Shares issued under stock purchase plan	812	
Shares issued under stock option plans	7,266	
Shares issued upon exercise of warrants	12,769	20,847
Balance as at July 31, 1970		5,483,591
Shares issued under stock purchase plan	1,246	
Shares issued in pooling-of-interests—Note A*	225,522	226,768
Balance as at April 30, 1971		5,710,359

* Including 2,566 shares for options exercised during the year by employees of acquired company prior to acquisition.

On July 9, 1970, the Company adopted a new non-qualified stock option plan for key employees of the Company and its subsidiaries for up to 400,000 shares (increased subject to stockholders' approval to 550,000 shares on June 30, 1971). For each unexercised qualified stock option (and unexercised non-qualified option in the case of foreign employees) outstanding on July 9, 1970, the Company granted a non-qualified option at $23.00 per share (market price) under the new plan. In connection with the adoption of the new plan the qualified stock option plans (and non-qualified stock option plan in the case of foreign employees) in existence at July 9, 1970 were terminated, except for the options covering 177,600 shares which were outstanding thereunder at July 9, 1970. The new options, in effect, provide that the exercise of an option under either plan will cancel the equivalent options held by the optionee under the other plan in respect to the exercised options. In addition to such grants of options for 177,600 shares, the Company also granted options for 103,450 shares at $23.00 per share (market price) during July 1970 (aggregate option and market price of the 281,050 shares granted in July 1970 is $6,464,150) and options for 700 shares were cancelled during July 1970. During fiscal 1971 options for 34,050 shares were granted at prices ranging from $23.00 to $30.00 per share (aggregate $891,700) and options for 16,750 shares were cancelled. As at April 30, 1971, options for 102,350 shares were available for future grants. The option price may not be less than 75% of the fair market value on the date granting the option (grants at less than 100% of such fair market value require the approval of the Company's Board of Directors). Options become exercisable, at various percentages, cumulatively from one to five years after the date of grant and may be exercised up to 10 years after the date of grant, when such options expire. No options were exercisable nor were any options exercised during fiscal periods 1970 and 1971.

NOTES TO FINANCIAL STATEMENTS — (Continued)

The following information relates to the new non-qualified stock option plan:

	Number of Shares	Option Price		Market Price	
		Per Share	Total	Per Share (At Date of Grant)	Total
Options outstanding at April 30, 1971, granted during:					
1970	264,700	$23.00	$6,088,100	$23.00	$6,088,100
1971	32,950	$23.00 to $30.00	865,525	$23.00 to $30.00	865,525
	297,650		$6,953,625		$6,953,625
Options outstanding at July 31, 1970, granted in 1970	280,350	$23.00	$6,448,050	$23.00	$6,448,050

Options for 169,880 shares were granted in fiscal 1968 at prices ranging from $49.25 to $102.13 (aggregate $14,554,532), options for 69,100 shares were granted in fiscal 1969 at prices ranging from $61.63 to $87.69 (aggregate $5,109,035) and options for 54,400 shares were granted in fiscal 1970 at prices ranging from $56.25 to $77.63 per share (aggregate $3,382,203). These options were granted under qualified Stock Option Plans adopted during the fiscal years 1965 (240,000 shares) and 1968 (200,000 shares) or were non-qualified options for foreign employees; these qualified and non-qualified Stock Option Plans were terminated, except for the outstanding options thereunder at July 9, 1970, by the adoption of the new non-qualified plan described above. The following information relates to the abovementioned qualified and non-qualified plans.

Qualified plans for key employees of the Company under which options are exercisable during a period beginning one year and ending five years after the date of grant:

	Number of Shares	Option Price		Market Price	
		Per Share*	Total	Per Share (At Date of Grant)	Total
Options outstanding as at April 30, 1971, granted during:					
Fiscal year ended in:					
1967	350	$25.625	$ 8,969	$25.625	$ 8,969
1968	62,000	$51.00 to $102.125	5,055,987	$51.00 to $102.125	5,055,987
1969	41,250	61.625 to 87.685	3,018,989	61.625 to 87.685	3,018,989
1970	43,000	56.25 to 77.625	2,612,527	56.25 to 77.625	2,612,527
1971	None*				
	146,600		$10,696,472		$10,696,472
Options outstanding as at July 31, 1970, granted during:					
Fiscal year ended in:					
1967	350	$25.625	$ 8,969	$25.625	$ 8,969
1968	68,000	$51.00 to $102.125	5,618,112	$51.00 to $102.125	5,618,112
1969	42,500	61.625 to 87.685	3,118,413	61.625 to 87.685	3,118,413
1970	46,200	56.25 to 77.625	2,813,088	56.25 to 77.625	2,813,088
	157,050		$11,558,582		$11,558,582

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NOTES TO FINANCIAL STATEMENTS — (Continued)

	Number of Shares	Option Price Per Share*	Option Price Total	Market Price Per Share	Market Price Total
Options (other than cancelled options) which became exercisable during:				(At Date First Exercisable)	
Fiscal year ended in:					
1968	2,500	$10.25 to $ 25.625	$ 56,537	$53.00 to $ 79.50	$ 167,600
1969	41,045	51.00 to 102.125	3,150,973	63.00 to 89.656	3,001,132
1970	22,450	61.625 to 102.125	1,851,269	20.937 to 83.375	1,074,250
1971	18,499	56.25 to 102.125	1,218,099	19.25 to 37.75	608,714
				(At Date of Exercise)	
Options exercised during:					
Fiscal year ended in:					
1968	73,416	$ .417 to $ 25.625	$ 83,207	$49.00 to $107.375	$ 5,921,590
1969	1,250	4.125 to 25.625	6,231	66.625 to 71.75	83,537
1970	800	25.625	20,500	38.875 to 83.937	40,112
1971	None*				

*Refer to the third paragraph of this Note for information regarding the new non-qualified stock option plan.

Options for 11,000 shares (1968), 53,400 shares (1969), 49,830 shares (1970) and 10,450 (1971) shares were cancelled.

Non-qualified plans for employees of the Company's foreign operations under which options are currently exercisable and expire five years after the date of grant:

	Number of Shares	Option Price Per Share*	Option Price Total	Market Price Per Share	Market Price Total
Options outstanding as at April 30, 1971, granted during:				(At Date of Grant)	
Fiscal year ended in:					
1967	600	$37.00	$ 22,200	$37.00	$ 22,200
1968	9,400	$49.25 to $ 92.00	685,375	$49.75 to $ 93.50	692,237
1969	7,800	73.25 to 78.50	596,550	73.25 to 79.00	598,950
1970	1,750	56.25 to 76.81	128,997	56.25 to 76.81	128,997
1971	None*				
	19,550		$ 1,433,122		$ 1,442,384
Options outstanding as at July 31, 1970, granted during:					
Fiscal year ended in:					
1967	600	$37.00	$ 22,200	$37.00	$ 22,200
1968	9,400	$49.25 to $ 92.00	685,375	$49.75 to $ 93.50	692,238
1969	8,000	73.25 to 85.00	613,550	73.25 to 87.688	616,488
1970	1,850	56.25 to 76.81	134,623	56.25 to 76.81	134,623
	19,850		$ 1,455,748		$ 1,465,549

Plaintiffs' Exhibit 21

NOTES TO FINANCIAL STATEMENTS — (Continued)

	Number of Shares	Option Price		Market Price	
		Per Share*	Total	Per Share	Total
Options (other than cancelled options) which became exercisable during:				(At Date First Exercisable)	
Fiscal year ended in:					
1968	24,000	$31.00 to $ 92.00	$ 1,223,475	$79.50	$ 1,908,000
1969	8,000	73.25 to 85.00	613,550	$73.25 to $ 87.688	616,487
1970	1,850	56.25 to 76.81	134,623	56.25 to 76.81	134,623
Options exercised during:				(At Date of Exercise)	
Fiscal year ended in:					
1968	11,534	$15.00 to $ 49.25	$ 307,860	$78.00 to $ 93.50	$ 964,902
1969	400	37.00	14,800	71.75 to 74.25	28,950
1970	5,200	31.00 to 66.50	233,400	69.75 to 78.375	394,150
1971	None*				

* Refer to the third paragraph of this Note for information regarding the new non-qualified stock option plan. Options for 200 shares (1970) and 300 shares (1971) were cancelled.

On October 20, 1967, the Company assumed outstanding restricted stock options covering 14,224 shares of its Common Stock at prices of $10.21 and $17.82 per share (aggregate $241,209); market prices at dates of grant were $10.75 and $18.75 (aggregate $253,900). At April 30, 1971 and July 31, 1970, options for 1,666 shares were outstanding at a price of $17.82 per share (aggregate $29,688); market price at date of grant was $18.75 per share (aggregate $31,238). Options were exercised for 9,222 shares (October 20, 1967 to July 31, 1968), 1,265 shares (1969) and 1,266 shares (1970) at the above option prices for a total consideration of $197,195; the market prices at the dates of exercise ranged from $63.50 to $99.00 per share (aggregate $938,625). Options for 805 shares were cancelled (1969) and are not reissuable.

Under the Employee Stock Purchase Plan, adopted during fiscal 1969, 158 shares (1969), 812 shares (1970) and 1,246 shares (1971) were issued; subscriptions for 26,939 shares and 36,936 shares of Common Stock were outstanding at April 30, 1971 and July 31, 1970, respectively; 120,845 shares were available at April 30, 1971 for future grants under the plan.

During October 1967, 3,334 shares were purchased by a key employee of the Company's foreign operations at $15.00 per share. The market value of such shares on the date of the agreement was $31.00 per share. The Company has amortized the excess of the aforementioned market value over the purchase price during a three-year period which began in May 1967, which approximated the term of his employment contract.

There were no charges to income in connection with stock options except as noted in the preceding paragraph.

Upon exercise of stock options, the Company credits the Common Stock account with the par value of shares issued therefor and credits Capital in Excess of Par Value with the excess of proceeds over such par value.

Plaintiffs' Exhibit 21

NOTES TO FINANCIAL STATEMENTS — (Continued)

In accordance with the Agreement and Plan of Merger effective April 30, 1971, a subsidiary of the Company assumed all outstanding qualified stock options of Atron Corporation. Options covering 5,943 shares of the Company's Common Stock were outstanding at April 30, 1971 at option prices (market) ranging from $8.00 to $60.00 per share (aggregate $135,002). During the period ended April 30, 1971, shares equivalent to 2,566 shares of the Company's Common Stock were issued under the plan for a total consideration of $20,534; the market prices of the Company's Common Stock at dates of exercise ranged from $24.375 to $40.625 per share (aggregate $91,346). In addition, warrants initially issued by Atron (similarly assumed) to purchase an aggregate of 42,500 shares (warrants to purchase 37,500 shares are exercisable to January 1975; warrants to purchase 5,000 shares are exercisable to September 1977) of Common Stock at prices ranging from $25.00 to $68.00 per share were outstanding as at April 30, 1971.

At April 30, 1971, 597,893 shares of Common Stock were reserved for the stock option and purchase plans and warrants and 533,805 shares for conversion of convertible debentures.

Note J—Contingencies, Commitments and Other Comments:

The Company has entered into a Plan of Merger with Colorado Instruments, Inc. (Colorado), subject to approval by the Colorado stockholders. Under the terms of the Plan (which merger will be accounted for on a purchase basis), each share of Colorado stock will be exchanged for one-ninth of a share of the Company's Common Stock. As at May 31, 1971, there were 570,660 shares of Colorado stock outstanding plus warrants and stock options. For the twelve months ended May 31, 1971, the estimated loss of Colorado before income taxes was $1,026,000 and the estimated net loss after income taxes was $1,000,000. For the three months ended May 31, 1971, the estimated net loss was $199,000. The above financial data of Colorado are based upon unaudited statements as of May 31, 1971.

Annual rentals of real property aggregated approximately $1,500,000 at April 30, 1971.

Management is of the opinion that adjustments, if any, of sales subject to the Renegotiation Act of 1951 will have no material effect on the financial statements.

Plaintiffs' Exhibit 21

NOTES TO FINANCIAL STATEMENTS — (Continued)

Note K—Supplementary Profit and Loss Information:

Item	Charged Directly to Profit and Loss: To Cost of Sales, Rentals and Service(a)	Charged Directly to Profit and Loss: Other	Total
	(000's Omitted)		
Maintenance and repairs(b):			
Fiscal periods ended in:			
1968	$ 255	$ 12	$ 267
1969	191	35	226
1970	415	130	545
1971	244	94	338
Depreciation and amortization:			
Fiscal periods ended in:			
1968	3,114	399	3,513
1969	5,582	601	6,183
1970	9,748(c)	889	10,637
1971	10,465(d)	1,159	11,624
Taxes, other than income taxes—principally payroll taxes:			
Fiscal periods ended in:			
1968	953	761	1,714
1969	1,073	1,252	2,325
1970	1,781	1,430	3,211
1971	1,043	1,852	2,895
Rents—premises and equipment:			
Fiscal periods ended in:			
1968	572	353	925
1969	457	935	1,392
1970	426	1,190	1,616
1971	348	1,366	1,714
Royalties:			
Fiscal periods ended in:			
1968		41	41
1969		51	51
1970		22	22
1971		18	18

There were no management and service contract fees.

Provisions for doubtful accounts for the fiscal periods ended in 1968, 1969, 1970 and 1971 amounted to $136,000, $245,000, $775,000 and $1,055,000, respectively. In addition see Note (h) to the Consolidated Statement of Income.

The fiscal period ended in 1971 relates to the nine months ended April 30, 1971—see Note A.

(a) Included are amounts charged to rental machines. The Company's accounting records do not segregate amounts charged to such equipment.

(b) Excludes costs of maintaining rental machines as such service is billed to customers pursuant to contracts.

(c) Restated in connection with change in accounting policy. See Note (b) to the Consolidated Statement of Income.

(d) Includes a provision for idle machines of $600,000, which was charged to cost of rentals and service.

Plaintiffs' Exhibit 21
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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 22. Market Arrangements.

None.

Item 23. Other Expenses of Registration and Distribution.

The following table sets forth the estimated expenses, all of which will be borne by the Registrant in connection with the registration and distribution of the securities being registered:

Registration Fee	$ 3,576
Legal Fees	10,000
Accounting Fees	7,500
Printing and Engraving	7,000
Blue Sky Fees and Expenses	1,000
Miscellaneous	924
Total	$30,000

Item 24. Relationship with Registrant of Experts Named in Registration Statement.

None.

Item 25. Sales to Special Parties.

Reference is made to "1970 Stock Option Plan" and "Other Stock Options."

Item 26. Recent Sales of Unregistered Securities.

Pursuant to an Agreement and Plan of Merger, dated as of March 12, 1971, between a subsidiary of the Registrant and Atron Corporation, the Registrant issued an aggregate of 225,522 shares of its Common Stock. Such issuance was exempt from the registration provisions of the Securities Act of 1933, as amended, because under the provisions of Rule 133 promulgated thereunder such issuance did not involve any "sale," "offer," "offer to sell" or "offer for sale" within the meaning of Section 2 of such Act.

Item 27. Subsidiaries of Registrant.

The following are presently all the subsidiaries of the Registrant, are included in the consolidated financial statements of the Registrant contained in the Prospectus (except as noted below) and 100% of the voting securities thereof are owned directly or indirectly by the Registrant:

Name	State or other Jurisdiction of Incorporation
MDS-Atron, Inc.	Delaware
*Colorado Instruments-Delaware, Inc.	Delaware
Ohr-Tronics, Inc.	New York
*Isopressed Products Corporation	California
Mohawk Data Sciences-Canada Limited	Canada
MDS Capital Corporation	Delaware
MDS-International, Inc.	Delaware
MDS-Belgium, S. A.	Belgium
MDS A/S	Denmark
M.D.S.-France S. A.	France
MDS Deutschland GmbH	Germany
MDS-Data Processing Limited	Great Britain
Prudential House-Data Processing Limited	Great Britain
MDS Equipment Limited	Great Britain
M.D.S. Limited	Ireland
M.D.S. Italia S.p.A.	Italy
MDS Nederland N. V.	Netherlands
MDS Corporation Zurich AG	Switzerland
MDS-Service A. G.	Switzerland

* Such subsidiaries are not included in the consolidated financial statements included in the Prospectus as they were either formed or acquired subsequent to April 30, 1971.

Item 28. Franchises and Concessions.

None.

Plaintiffs' Exhibit 21

Item 29. Indemnification of Directors and Officers.

Under the New York Business Corporation Law, a corporation may indemnify any person made a party to an action by or in the right of the corporation or any of its subsidiaries to procure a judgment in its favor by reason of the fact that he, his testator or intestate is or was a director or officer of the corporation or any of its subsidiaries, against the reasonable expenses, including attorneys' fees, actually and necessarily incurred by him in connection with the defense of such action, or in connection with an appeal therein, except in relation to matters as to which such director or officer is adjudged to have breached his duty to the corporation or any of its subsidiaries. The indemnification does not include (i) amounts paid in settling or otherwise disposing of a threatened or pending action with or without court approval, or (ii) expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without court approval. In addition, the corporation may indemnify any person made or threatened to be made a party to an action or proceeding other than one by or in the right of the corporation or any of its subsidiaries to procure a judgment in its favor, whether civil or criminal, including an action by or in the right of any other corporation of any type or kind, domestic or foreign, which any director or officer of the corporation or any of its subsidiaries served in any capacity at the request of the corporation or any of its subsidiaries, by reason of the fact that he, his testator or intestate was a director or officer of the corporation or any of its subsidiaries or served such other corporation in any capacity, against judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees, actually and necessarily incurred as a result of such action or proceeding, or any appeal therein, if such officer or director acted, in good faith, for a purpose which he reasonably believed to be in the best interest of the corporation or any of its subsidiaries and, in criminal actions or proceedings, in addition, had no reasonable cause to believe that his conduct was unlawful. The termination of any such civil or criminal action or proceeding by judgment, settlement, conviction or upon a plea of nolo contendere, or its equivalent, does not of itself create a presumption that any such director or officer did not act, in good faith, for a purpose which he reasonably believed to be in the best interest of the corporation or any of its subsidiaries or that he had reasonable cause to believe that his conduct was unlawful.

Insofar as indemnification by the Registrant for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by any such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification of such director, officer or controlling person is against public policy as expressed in said Act and will be governed by the final adjudication of such issue.

Item 30. Treatment of Proceeds from Stock being Registered.

In the event of the issuance of any shares of the Registrant's Common Stock covered hereby, an amount equal to 10¢ per share will be credited to the Common Stock account and the balance of the exercise or conversion price will be credited to the Captial in Excess of Par Value account.

Item 31. Financial Statements and Exhibits.

(a) Financial Statements and Schedules:

Included in the Prospectus:

Report of Independent Public Accountants

Consolidated Balance Sheets as at July 31, 1970 and April 30, 1971

Consolidated Statement of Income for the fiscal periods ended July 31, 1966, 1967, 1968, 1969 and 1970 and April 30, 1970 and 1971

Consolidated Statements of Capital in Excess of Par Value and Retained Earnings for the fiscal periods ended in 1966, 1967, 1968, 1969, 1970 and 1971

Consolidated Statements of Source and Use of Working Capital for the fiscal periods ended in 1968, 1969, 1970 and 1971.

Notes to Financial Statements

Included in Part II of the Registration Statement:

Schedules V, VI, VII, VIII and XII for the year ended July 31, 1968.

Schedules V, VI, VII and XII for the fiscal years ended July 31, 1969, July 31, 1970 and for the nine months ended April 30, 1971.

Schedules other than those mentioned above are omitted because the conditions requiring the filing of those schedules do not exist, or because the required information is given in the financial statements or other schedules filed herewith, including the notes thereto.

Plaintiffs' Exhibit 21

Individual financial statements of the Registrant are omitted because the Registrant is primarily an operating company and all subsidiaries included in the consolidated financial statements filed are totally-held subsidiaries, except as to indebtedness of subsidiaries amounting to $22,732,000 as at April 30, 1971, all of which is guaranteed by the Registrant.

(b) Exhibits:

1 —None

2(a) —Agreement and Plan of Merger, dated August 16, 1967, between Registrant and Anelex Corporation (Exhibit A to Registrant's Current Report on Form 8-K for October, 1967).

2(b) —Agreement and Plan of Reorganization, dated April 2, 1968, between Registrant and Soroban Engineering, Inc. (Exhibit A to Registrant's Current Report on Form 8-K for May, 1968).

3(a) —Certificate of Incorporation of Registrant filed August 6, 1964 (Exhibit 4(a) to Registration No. 2-23751).

3(b) —Certificate of Amendment of Certificate of Incorporation of Registrant filed August 19, 1964 (Exhibit 4(b) to Registration No. 2-23751).

3(c) —Certificate of Amendment of Certificate of Incorporation of Registrant filed August 27, 1964 (Exhibit 4(c) to Registration No. 2-23751).

3(d) —Certificate of Amendment of Certificate of Incorporation of Registrant filed July 20, 1965 (Exhibit 4(d) to Registration No. 2-23751).

3(e) —Certificate of Amendment of Certificate of Incorporation of Registrant filed August 5, 1966 (Exhibit 3(e) to Registration No. 2-25590).

3(f) —Certificate of Amendment of Certificate of Incorporation of Registrant filed January 2, 1968 (Exhibit 3(f) to Registration No. 2-29508).

3(g) —Certificate of Amendment of Certificate of Incorporation of Registrant filed December 30, 1968 (Exhibit 3(m) to Registration No. 2-29508).

3(h) —Restated By-Laws of Registrant.

3(i) —Amendment to Restated By-Laws of Registrant adopted June 2, 1971.

4(a) —Specimen Common Stock Certificate (Exhibit 4(a) to Registration No. 2-35242).

4(b) —Form of Common Stock Purchase Warrant originally issued by Atron Corporation.

4(c) —Indenture dated as of May 1, 1969 among MDS Capital Corporation, Registrant and Chemical Bank (Exhibit 4(c) to Registration No. 2-35242).

4(d) —Indenture, dated as of December 15, 1969, between the Company and Chemical Bank, as Trustee (Exhibit 4(h) to Registration No. 2-35242).

4(e)(1) —1971 Domestic Credit Agreement dated as of February 26, 1971 among Registrant and six banks (Exhibit 1 to Registrant's Current Report on Form 8-K for February, 1971).

4(e)(2) —Multi-Currency Credit Agreement dated as of February 26, 1971 among Registrant and five banks (Exhibit 3 to Registrant's Current Report on Form 8-K for February, 1971).

4(e)(3) —Amendment No. 1 to Multi-Currency Credit Agreement, dated May 1, 1971, among Registrant and six banks (Exhibit to Registrant's Current Report on Form 8-K for May, 1971).

4(f) —Note and Mortgage to Marine Midland Trust Company of the Mohawk Valley dated November 8, 1967 (Exhibit 13(d) to Registration No. 2-29508).

4(g) —Note and Mortgage to Herkimer County Area Development Authority together with Assignment to New York Job Development Authority dated April 18, 1968 (Exhibit 13(e) to Registration No. 2-29508).

5(a) —Qualified Stock Option Plan (Exhibit 7(a) to Registration No. 2-23751).

Plaintiffs' Exhibit 21

5(b) —Form of Option Agreement under Qualified Stock Option Plan (Exhibit 7(b) to Registration No. 2-23751).

5(c) —Second Qualified Stock Option Plan (Exhibit 5(c) to Registration No. 2-29508).

5(d) —Form of Option Agreement under Second Qualified Stock Option Plan (Exhibit 5(d) to Registration No. 2-29508).

5(e) —Forms of Restricted Stock Options of Anelex Corporation assumed by Registrant (Exhibit 5(e) to Registration No. 2-29508).

5(f) —Employee Stock Purchase Plan (Exhibit 1-C to Registration No. 2-30664).

5(g) —Form of Stock Purchase Agreement under Employee Stock Purchase Plan (Exhibit 2-C to Registration No. 2-30664).

5(h) —Forms of Option Agreement between Registrant and foreign employees (Exhibit 2-F to Registration No. 2-33894).

5(i) —Stock Option Plan for Foreign Employees (Exhibit 5(j) to Registration No. 2-35242).

5(j) —Form of Option Agreement under Stock Option Plan for Foreign Employees (Exhibit 2-G to Registration No. 2-35297).

5(k) —1970 Stock Option Plan.

5(l) —Forms of Option Agreement under 1970 Stock Option Plan.

5(m) —Qualified Stock Option Plan of Atron Corporation.

5(n) —Form of Option Agreement under Qualified Stock Option Plan of Atron Corporation.

*6 —Opinion of Messrs. Beekman & Bogue.

7 —None.

8 —Not applicable.

9 —Not applicable.

10 —None.

11(a) —Pension Plan for Employees (Exhibit 11 to Registration No. 2-35242).

*11(b) —Profit Sharing Retirement Plan for Employees.

12 —Indemnification of officers and directors. (Reference is hereby made to Item 29 hereof).

13(a)(1) —Forms of Agreement for the Use and Maintenance of Mohawk Data Sciences Corp. Equipment.

13(a)(2) —Form of Agreement for the Sale of Equipment.

13(a)(3) —Maintenance Service Agreement for Customer-Owned Equipment.

13(b)(1) —Agreement dated March 14, 1966 between the Registrant and National Cash Register Company without Exhibits (Exhibit 13(n) to Registration No. 2-25590).

13(b)(2) —Amendment to such Agreement, dated April 4, 1968 (Exhibit 13(f)(2) to Registration No. 2-29508).

13(b)(3) —Amendment to such Agreement, dated as of December 1, 1969 (Exhibit 13(f)(3) to Registration No. 2-35242).

13(c) —Agreement and Plan of Reorganization, dated June 19, 1968, among Registrant, Ohr-Tronics, Inc. and certain stockholders thereof (Exhibit 13(h) to Registration No. 2-29508).

13(d) —Agreement, dated June 28, 1968, between Registrant and H. M. Storms Company and its stockholders (Exhibit 13(i) to Registration No. 2-29508).

13(e) —Agreement and Plan of Merger, dated as of March 12, 1971, between MDS-Atron, Inc. and Atron Corporation.

13(f) —Agreement and Plan of Merger, dated as of May 14, 1971, among Registrant, Colorado Instruments-Delaware, Inc. and Colorado Instruments, Inc.

13(g) —Computation of Net Income (Loss) Per Share of Common Stock.

* Filed herewith. All other exhibits have been heretofore filed with this Registration Statement or are incorporated herein by reference to the exhibits to prior filings indicated in parentheses.

Plaintiffs' Exhibit 21

UNDERTAKINGS

The Registrant undertakes to file such post-effective amendment or amendments to this Registration Statement as may be required in order that there will be continuously available, until shares of its Common Stock covered by this Registration Statement have been sold or removed from registration (the Registrant hereby reserving the right to remove any such shares from registration at any time), a prospectus containing certified financial statements and other information meeting the requirement of Section 10(a)(3) of the Securities Act of 1933, as amended; and that for the purpose of determining liabilities under said Act, the effective date of each such post-effective amendment shall be deemed to be the effective date of this Registration Statement with respect to any shares sold after such post-effective amendment shall have become effective; and that all such post-effective amendments filed in accordance herewith will comply with all applicable rules and regulations of the Securities and Exchange Commission in effect at the time of filing.

The Registrant hereby undertakes for the purpose of any public offering of any of the securities registered hereunder (otherwise than on a national securities exchange) by any person who may be deemed an underwriter of such securities, prior to such public offering, to file a prospectus containing the information required by Form S-1. Every such prospectus and every prospectus which purports to meet the requirements of Section 10(a)(3) of the Act will be filed as a part of an amendment to the Registration Statement and will not be used until such amendment has become effective, and the effective date of each such amendment shall be deemed the effective date of the Registration Statement with respect to securities sold after such amendment has become effective.

The Registrant further undertakes that, if sales by the Selling Stockholders have not commenced within 90 days from the effective date of this Registration Statement, it will file a prospectus containing updated information about the Registrant. Every such prospectus and every prospectus which purports to meet the requirements of Section 10(a)(3) of the Act will be filed as a part of an amendment to the Registration Statement and will not be used until such amendment has become effective, and the effective date of each such amendment shall be deemed the effective date of the Registration Statement with respect to securities sold after such amendment has become effective.

Plaintiffs' Exhibit 21

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has caused this Registration Statement or amendment thereto to be signed on its behalf by the undersigned, thereunto duly authorized, in the Town of Herkimer and State of New York on the 20th day of August, 1971.

MOHAWK DATA SCIENCES CORP.

By RICHARD P. RIFENBURGH
(Richard P. Rifenburgh, President)

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement or Amendment thereto has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
ROBERT GROBEN (Robert Groben)	Director	August 20, 1971
VIRGIL E. JOHNSON (Virgil E. Johnson)	Chairman of the Board of Directors	August 20, 1971
PAUL R. JUDY (Paul R. Judy)	Director	August 20, 1971
RICHARD L. KARPEN (Richard L. Karpen)	Director	August 20, 1971
LORNE H. KING (Lorne H. King)	Director	August 20, 1971
MAX PHILIPSON (Max Philipson)	Director	August 20, 1971
RICHARD P. RIFENBURGH (Richard P. Rifenburgh)	President, Principal Executive Officer and Director	August 20, 1971
THEODORE D. ROBINSON (Theodore D. Robinson)	Director	August 20, 1971
HERBERT ROTH, JR. (Herbert Roth, Jr.)	Director	August 20, 1971
PATRICK B. SMITH (Patrick B. Smith)	Director	August 20, 1971
OTTO STITZ (Otto Stitz)	Director	August 20, 1971
WAYNE WELLS (Wayne Wells)	Executive Vice President, Treasurer, Principal Financial and Accounting Officer and Director	August 20, 1971

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Plaintiffs' Exhibit 21

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

Mohawk Data Sciences Corp.
Herkimer, New York

We consent to the use in this Registration Statement of our report included therein dated July 14, 1971 relating to the consolidated financial statements of Mohawk Data Sciences Corp. and subsidiaries. Also we authorize the application of that report to the related schedules of Mohawk Data Sciences Corp. and subsidiaries included in this Registration Statement, as set forth in Item 31(a) herein.

We consent also to the references to our firm under the captions "Consolidated Statement of Income" and "Experts" in the Prospectus included in this Registration Statement.

S. D. LEIDESDORF & CO.

New York, N. Y.
August 23, 1971

Plaintiffs' Exhibit 22

(1-17)

FOR: MOHAWK DATA SCIENCES CORP. (NYSE)

FROM: Ronald F. Hengen
Dejan and Hengen, Inc.
One New York Plaza, New York
(212) 425-0940

FOR IMMEDIATE RELEASE

MOHAWK DATA REPORTS ORDERS FOR NEW SYSTEM, ANNOUNCED IN LATE FEBRUARY, REACH $9.3 MILLION

Company Also Announces Latest Addition to System 2400 Line; Entry into Tape Drive Market; Expansion of Bank Lines; Change in Fiscal Year; Termination of Third Party Sales; and Other Matters

KING OF PRUSSIA, PA., May 4, 1971 -- Mohawk Data Sciences Corp., manufacturer and marketer of data processing equipment, estimates that its backlog of end user orders at April 30, 1971 reached an all-time high due largely to the favorable customer reception of the new Peripheral Processing System 2400, Richard P. Rifenburgh, President, told a group of security analysts here today. The System 2400 features a high performance peripheral processor interfaced with a broad range of peripheral equipment, most of which are manufactured by MDS.

The chief executive said that Mohawk Data Sciences had experienced a significant turnaround in domestic end user orders and deliveries of almost all equipment lines, with rental shipments in April 1971 higher than at any time since December 1969. "As is always the case in the end user rental business, this acceleration in activity will be reflected in revenues only gradually until the new placements have been out for some time," he cautioned.

Mr. Rifenburgh pointed out that the majority of System 2400 orders received to date are covered by three and five year leases. He also noted that the $9.3 million of System 2400 orders include bookings for the System 2401, an early version of the new system configured as an off-line programmable print station which has been delivered to customers since May, 1970.

June 5, 1973
Plf's Exhibit (2)
for Identification
D.Z-E.

- more -

Plaintiffs' Exhibit 22

MDS announced the release of the second of an anticipated five groups of the System 2400, and its entry into the IBM plug-compatible tape drive market. As a result of the consummation of the Atron Corporation merger, the Company also announced a Programmable Dedicated Terminal, which will be a direct replacement for terminals of other major computer manufacturers, including the IBM Model 2780.

The "Group II" System 2400 release covers a 760 line-per-minute printer, an 800/1600 b.p.i. switchable tape drive, a 200 card-per-minute punch, paper tape equipment, and five software packages - an RPG-2 and four communications packages. Initial deliveries of the IBM replacement drives will commence later this year under a program featuring long term leases, conservative depreciation practices, and interchangeability with tape units used in the System 2400.

Mr. Rifenburgh further stated that MDS would change its fiscal year-end, a matter under consideration for several years, from July 31 to April 30. "Apart from the difficulties and inconvenience associated with a July 31st accounting," he said, "such a change is now propitious because of the required inclusion of financial data from the recently merged Atron Corporation and for the forthcoming Colorado Instruments merger. The importance of the System 2400 to the future of the Company also makes it desirable to start a new fiscal year when initial deliveries will be made," he pointed out.

The merger with Atron Corporation was completed on April 30, 1971, as scheduled. The Company expects the acquisition of Colorado Instruments to be finalized around June 1st on a "purchase" basis.

Various accounting matters are being reviewed in connection with the change in the fiscal year, Mr. Rifenburgh noted, such as the establishment of reserves for idle Model 1100 DATA-RECORDERS, receivables, inventories and the accounting treatment for past sales to third party lessors, a program which is being discontinued. "It is premature at this time," he said, "to indicate the effect that any or all such accounting adjustments may have on earnings for the revised fiscal year just ended."

653a
Plaintiffs' Exhibit 22

Mr. Rifenburgh also noted that MDS's bank lines of $50 million negotiated late last February had been expanded to $55 million through inclusion of another bank in the Multi-Currency Credit Agreement. The additional $5 million under this Agreement, which makes funds available to MDS's international subsidiaries, will be available in local currencies, bringing total foreign credit lines to $28 million.

The Company has applied a significant amount of its manpower and financial resources to the System 2400 hardware and software development programs and in the expansion and upgrading of its 1500-man marketing organization. "Related development and marketing costs expensed in the recently completed fiscal year have impacted earnings significantly at a time when sales and rental revenues were being affected by recessionary conditions in the U.S. The initial reception accorded the System 2400," Mr. Rifenburgh stated, "is indicative of the wisdom of that investment."

"The Company's future," he concluded, "has never appeared brighter. An upturn in domestic business has definitely occurred, and we see no change in MDS's strong position in the international data processing market."

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MOHAWK DATA SCIENCES CORP.

Plaintiffs' Exhibit 23

Mohawk Data Sciences Agrees to Buy Atron

FEB 1 - 1971

By a WALL STREET JOURNAL *Staff Reporter*

HERKIMER, N.Y.—Mohawk Data Sciences Corp., a maker of peripheral equipment for computers, announced an agreement in principle to acquire Atron Corp. for stock valued at about $6.5 million.

Atron makes controllers for peripheral equipment. It had a net loss of about $1.1 million on sales of $895,483 in the year ended last Sept. 30. About 90% of its sales was to Mohawk Data Sciences, which already owns 195,000 of Atron's 1,088,573 outstanding common shares.

The companies said proposed terms call for one Mohawk Data Sciences share to be exchanged for each four Atron common shares. That would require Mohawk Data Sciences to issue a total of about 225,000 shares for the Atron stock it doesn't own.

In trading on the New York Stock Exchange Friday, Mohawk Data Sciences closed at $29, unchanged from Thursday.

In addition to outstanding stock, Atron has outstanding warrants to buy 170,000 shares and employe stock options to buy 33,089 shares.

Mohawk Data Announces Processor for Computers

HERKIMER, N.Y.—Mohawk Data Sciences Corp. announced a "peripheral processor," the System 2400, for use with computers.

The system is designed to handle concurrent input and output operations for a computer. It consists of a control center that supervises associated magnetic-tape and magnetic-disk data-storage units, printers, tabulating-card machines and data-communications equipment.

FEB 23 1971

First deliveries of the system are scheduled for July. Depending on the number and variety of the peripheral units associated with the control center, Mohawk Data Sciences said, rental prices for the systems range from $700 to $2,900 a month.

Mohawk Data Sciences Gets $30 Million Credit Accords

NEW YORK—Mohawk Data Sciences Corp. said it signed two revolving credit agreements totaling $30 million.

MAR 1 1971

One involves a three-year, $27 million line of credit with a group headed by Marine Midland Bank of Western New York.

The other is a five-year, $23 million multicurrency credit agreement with a group of American banks headed by First National Bank of Chicago. Of this amount, $12 million is available in various European currencies and $11 million in Eurodollars.

The Herkimer, N.Y., data processing equipment producer will pay interest rates 0.5 percentage point above the prime rate on domestic credit, 1.25 points above the quoted London rate on Eurodollars, and a negotiated rate on

Proceeds will be used for general business purposes, and by European subsidiaries in financing the rental of computer peripheral equipment, he added.

Present borrowings of $16.1 million will be incorporated under the two agreements, the company said.

MOHAWK DATA SCIENCES		
Quar Jan 31:	1971	1970
Shr earns	$.20	$.38
Revenues ...	23,305,000	25,880,000
Net income .	1,080,000	2,060,000
6 mo shr ..	.43	a.70
Revenues ...	45,085,000	50,835,000
Income	2,345,000	3,810,000
Spec cred ..		b275,000
Net income	2,345,000	c4,085,000

a-Based on income before special credits. b-Gain on revaluation of foreign currencies. c-Equal to 75 cents a share.

a-Based on i
item. b-Tax cr
to six cents a
cents a share i
sists of a loss
operations of
$72,016 less $6.
credits.

T.I.M.E.-DC INC.
Year Dec 31:
Shr earns ...
Revenues .. $
Net loss ....

EDITION

Mohawk Data Sets Acquisition

HERKIMER, N.Y.—Mohawk Data Sciences Corp., a maker of data-processing equipment, said it agreed in principle to acquire Colorado Instruments Inc., of Broomfield, Colo., a manufacturer of data-collection systems.

Tentative terms call for Mohawk Data Sciences to issue about 81,500 common shares in the transaction, on the basis of one for each seven common shares of Colorado Instruments. Additional shares may be reserved for outstanding warrants and employe stock options of Colorado Instruments.

MAR 1 2 1971

Mohawk Data Sciences Sees Accounting Shift Lowering 9-Month Net

Sharp Drop Expected as Concern Changes Year-End to April 30; Reserves Will Be Established

MAY 5 - 1971

By a WALL STREET JOURNAL *Staff Reporter*

NEW YORK—Mohawk Data Sciences Corp. plans to establish reserves and change accounting procedures, with the effect of sharply reducing earnings in the nine months ended April 30, Wayne Wells, an executive vice president, said in an interview.

The actions are being taken as the company alters its fiscal year to end on April 30 instead of July 31, Richard P. Rifenburgh, president, told a group of securities analysts in King of Prussia, Pa.

Earnings in the nine-month "fiscal year" ended last week "will undoubtedly be less" than the $2.3 million, or 43 cents a common share, earned in the six months ended last Jan. 31, Mr. Wells said. He said, though, that he couldn't estimate earnings for the April 30 period.

Mohawk Data Sciences makes data-processing equipment and is based in Herkimer, N.Y. It originally reported net income of $6.4 million, or $1.17 a share, for the nine months ended April 30, 1970. However, these figures will be adjusted to reflect the accounting changes and other factors.

Mr. Rifenburgh said that in connection with the change in fiscal period, the company is reviewing various accounting matters, including the establishment of reserves for idle Model 1100 Data-Recorders, accounts receivable, inventories and a change in accounting treatment for past sales of equipment to third-party leasing companies. Mohawk Data Sciences has stopped its sales to leasing companies, which ran at about $1 million a quarter for seven quarters.

Mr. Wells said accounting adjustments will apply back through the nine-month fiscal year. "The significant thing," he said, is that the company has decided it will be better to account for sales to lessors as financings rather than sales. The adjustment would apply to previous fiscal years, too.

Mr. Wells estimated this change alone would reduce earnings in the nine months by 10 cents to 12 cents a share. But, he added, "We believe it is in the long-term interests of the company to enlarge our rental base and end such sales."

The acquisition on April 30 of Atron Corp., which is operating unprofitably, will also lower nine-month earnings by "a few cents a share," Mr. Wells said.

Mr. Rifenburgh said the change in year end was desirable for a number of reasons, including the acquisition of Atron and the planned purchase of Colorado Instruments Inc. about June 1.

He announced yesterday that the exchange ratio for the purchase of Colorado Instruments has been revised to nine shares of Colorado Instruments for one share of Mohawk Data Sciences. Previously, the ratio was seven shares of Colorado Instruments for one of Mohawk Data Sciences.

June 5, 1973
Plf's Exhibit 23
for Identification

Plaintiffs' Exhibit 24

Minutes of a Regular Meeting
of the
Board of Directors
of

MOHAWK DATA SCIENCES CORP.

Held June 30, 1971

A regular meeting of the Board of Directors was held at the offices of the Corporation, Palisade Street, Herkimer, New York at 11:00 A.M. on June 30, 1971.

There were present:

Messrs.: Robert Groben
V. E. Johnson
Paul R. Judy
Richard L. Karpen
Lorne H. King
Max Philipson
R. P. Rifenburgh
Theodore Robinson
Patrick B. Smith
Wayne Wells

constituting a majority of the Directors and a quorum.

Mr. Philip J. Ablove, Secretary of the Corporation, attended the meeting by invitation.

Mr. Johnson, Chairman of the Board, presided, and Mr. Ablove kept the record of the meeting. Mr. Ablove stated that he had duly mailed the Notice of Meeting to all Directors.

The minutes of the regular meeting of the Board held on March 2, 1971 were approved as distributed.

The Chairman stated that the first matter to come before the meeting was a report from the President. Mr. Rifenburgh reviewed the present status of the Corporation's business and analyzed various aspects thereof, utilizing

Plaintiffs' Exhibit 24

graphic presentations. He also reviewed the present distributor organization and explained the Corporation's plans to assume the marketing functions in certain countries in which there were presently distributors. Mr. Rifenburgh reported on the difficulties the Corporation was experiencing in obtaining sufficient manufacturing space and the steps being taken to alleviate the problem. In this regard he reviewed negotiations being conducted with officials of Mohawk Airlines and Oneida County to determine whether the Corporation would be able to utilize the office space which Mohawk Airlines presently occupied at the Oneida County Airport.

Mr. Wells gave the financial report. He stated that the year-end audit was still in process and that operating income before certain adjustments would be approximately $3.7 million. He summarized for the Directors possible adjustments in the aggregate amount of approximately $5.8 million, which were then discussed. Mr. Wells reported that, since the Corporation would have a net loss for the year, there would be no contribution to the Profit Sharing Plan.

Mr. Wells also distributed to the Directors a preliminary forecast for revenues for the Corporation's 1972 fiscal year as compared with the 12 months ending April 30, 1971. There then ensued a discussion regarding the Corporation's business prospects.

Mr. Mark Koschmann thereupon entered the meeting by invitation and reported on the Corporation's software development program. He also explained the use of the System 2400 as a multi-keyboard entry device.

Plaintiffs' Exhibit 24

Mr. Rifenburgh reported that the present salary freeze for all executives would probably remain in effect for fiscal 1972. He stated that he would recommend to the Stock Option Committee that options be granted under the 1970 Plan, bearing in mind the salary freeze. The Directors determined that Mr. Rifenburgh, a member of the Stock Option Committee, should receive an option for 12,000 shares. Accordingly, after discussion and upon motion duly made, seco and unanimously carried, it was

> RESOLVED, that the Stock Option Committee be and it hereby is authorized and directed at its next meeting to grant a stock option under the 1970 Stock Option Plan covering 12,000 shares to Mr. Richard P. Rifenburgh.

Mr. Ablove reported on action taken at various meetings of the Executiv Committee held since the last meeting of the Board, including authorization for the expansion of the Multi-Currency Credit Agreement from $23,000,000 to $28,000, reflecting the addition of American Express International Banking Corporation wit a local currency commitment of the equivalent of approximately U.S. $5,000,000, and the acquisition of Colorado Instruments, Inc. The actions taken at such meetings were unanimously ratified, confirmed and approved.

Mr. Wells reported that the Board had discussed a possible change of th Corporation's fiscal year at its last meeting and that, pursuant to action of the Executive Committee, such change had been effected. After further discussion and upon motion duly made, seconded and unanimously carried, it was

> RESOLVED, that the action of the Executive Committee in changing the fiscal year of the Corporation be and it hereby is ratified, confirmed and approved in all respects; and further
>
> RESOLVED, that the fiscal year of the Corporation end on April 30 of each year commencing with the fiscal period ending April 30, 1971.

In connection with the change of the fiscal year, it was determined to change the date of the Annual Meeting of Stockholders. Accordingly, upon motion duly made, seconded and unanimously carried, it was

Plaintiffs' Exhibit 24

RESOLVED, that the first paragraph of Section 1 of ARTICLE I of the By-laws of the Corporation be and it hereby is amended in full to read as follows:

"Section 1. Annual Meeting. The annual meeting of shareholders shall be held in September of each year on a date and at a time to be selected by the President or the Board of Directors at least 25 days before such meeting or, in the event the President or the Board of Directors shall not make such selection at least 25 days prior to the following indicated date, at 10:00 A.M. on the second Tuesday in September of each year (if not a legal holiday, and if a legal holiday, then on the next business day), at such place within or without the State of New York as shall be stated in the notice of meeting. At such meeting, or at any special meeting in lieu of the annual meeting, the shareholders shall elect a board of directors and transact such other business as may properly be brought before the meeting."

Mr. Rifenburgh initiated discussion regarding the grant of options under the Corporation's Employee Stock Purchase Plan. It was suggested that the Executive Committee be authorized to fix the exact date for the issuance of options. After discussion and upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that options be granted under the Employee Stock Purchase Plan on a date to be determined by the Executive Committee to all eligible employees on said date; and

FURTHER RESOLVED, that the Executive Committee is hereby authorized and empowered on behalf of this Board to determine the date upon which options are to be granted under the Employee Stock Purchase Plan; and

FURTHER RESOLVED, that the Employee Stock Purchase Plan Committee, previously constituted by action of this Board, is hereby authorized and directed to effect the grant of options under and pursuant to said Plan on the date determined by the Executive Committee to all eligible employees on said date, including all members of said Committee.

* * *

* * *

"The total number of shares of Common Stock of the Corporation which may be sold pursuant to options granted under the Plan shall not exceed 550,000 shares."; and further

RESOLVED, that such amendment to the 1970 Stock Option Plan be submitted to the Stockholders of this Corporation for their approval at their next meeting, and that such amendment shall be void and of no effect unless approved by the affirmative vote of the holders of a majority of the outstanding shares of Common Stock of this Corporation prior to June 29, 1972; and further

RESOLVED, that any options granted by the Stock Option Committee under the 1970 Stock Option Plan prior to stockholder action with regard to such amendment shall be granted subject to such approval by the Stockholders.

Mr. Wells then discussed that status of the Corporation's Registration Statement on Form S-1 (No. 2-39208) covering the shares issuable upon exercise of options granted or to be granted under the 1970 Stock Option Plan as well as the shares issuable upon conversion of the 5 1/2% Subordinated Guaranteed Debentures due 1989 of MDS Capital Corporation. He noted that, following the consummation of the merger with Atron Corporation, the Corporation had agreed to register certain privately held shares with the SEC to enable the resale thereof by the former Atron stockholders. In addition, the Corporation had agreed to register the privately held Atron Warrants and underlying Common Stock as well as the Common Stock of the Corporation receivable upon exercise of Atron qualified stock options assumed by the Corporation's subsidiary as part of the Atron merger.

He stated that the Corporation proposed to file an Amendment No. 1 to such Registration Statement to add such securities thereto and to cover the increase in the number of shares covered by the 1970 Plan; the latter shares would be de-registered if the amendment to the 1970 Plan reflecting such increase is not approved by the stockholders. Upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the officers of this Corporation be and they hereby are authorized and directed to prepare and file an amendment or amendments to this Corporation's Registration Statement on Form S-1 (No. 2-39208) adding to the securities presently proposed to be covered by such Registration Statement (i) shares of Common Stock held by former Atron shareholders who request registration thereof, (ii) privately held warrants to purchase 5,000 shares of this Corporation's Common Stock together with the shares of Common Stock issuable upon exercise thereof, (iii) 37,500 shares of Common Stock issuable upon exercise of the publicly held warrants issued by Atron Corporation, (iv) an aggregate of 5,355 shares issuable upon exercise of qualified stock options granted by Atron Corporation, and (v) 150,000 shares of Common Stock covered by the amendment to this Corporation's 1970 Stock Option Plan.

The meeting next considered certain matters in connection with calling the next Annual Meeting of Stockholders. Upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the Annual Meeting of Stockholders of this Corporation be and the same hereby is called to be held at the General Herkimer Hotel, Herkimer, New York, at 10:00 a.m. on the 1st day of September, 1971, to elect a Board consisting of twelve members and to consider and take action with respect to the approval of an amendment to the 1970 Stock Option Plan, heretofore adopted by the Board of Directors, providing for an increase in the number of shares of Common Stock of the Corporation covered by such Plan to 550,000 shares, and the transaction of such other business as may properly come before the meeting; and it was

FURTHER RESOLVED, that the close of business on the 16th day of July, 1971 is hereby fixed as the record date for the determination of stockholders entitled to notice of and to vote at said meeting; and it was

FURTHER RESOLVED, that the proper officers of this Corporation be and they hereby are authorized and directed to prepare appropriate forms of notice of the time, place and purposes of such Annual Meeting, Proxy, Proxy Statement and other material related to such Annual Meeting as they may deem necessary or advisable and to cause such material to be filed with the Securities and Exchange Commission and the New York Stock Exchange and to be mailed in the manner required by law to stockholders of the Corporation of record at the close of business on July 16, 1971; and it was

FURTHER RESOLVED, that the proper officers of this Corporation be and they hereby are authorized and directed to do and perform all such other acts and things as they may deem necessary or

* * *

Plaintiffs' Exhibit 25

FOR: MOHAWK DATA SCIENCES CORP. (NYSE)

FROM: Ronald F. Hengen
Bejan and Hengen, Inc.
One New York Plaza
New York, N. Y. 10004
(212) 425-0940

FOR IMMEDIATE RELEASE

HERKIMER, N.Y., July 7, 1971 ---Mohawk Data Sciences Corp. today reported a loss of $1,050,000 or 18¢ per share for its nine-month fiscal year extending from August 1, 1970 through April 30, 1971. Total revenues were $67,890,000, of which rental and service income accounted for $38,076,000. Such results are subject to the completion of the year-end audit by the Company's independent public accountants.

For the corresponding nine months ended April 30, 1970, net income totaled $4,486,000 or 79¢ per share on total revenues of $74,366,000.

Richard P. Rifenburgh, President and Chief Executive Officer of MDS, noted that the Company's abbreviated fiscal year spanned a difficult period for the data processing industry. "The lagging recovery in the domestic economy, compounded by the recent and significant pricing revisions, are causing unprecedented pressures within the industry. Completing a short fiscal year in the midst of a major change-over into a systems company, MDS approached the new fiscal year by making the accounting adjustments referred to below in order to place itself in a financial posture appropriate to the changing environment," he stated.

-more-

Certain accounting adjustments previously announced, the extent of which is set forth below, resulted in a loss for the short fiscal year ended April 30, 1971. Such adjustments include, for both of the fiscal periods noted above, the operations on a pooling-of-interests basis of Atron Corporation, which was merged into a subsidiary of MDS on April 30, 1971, and the change in the accounting treatment of sales of equipment on rental to third party lessors. The 1971 results also reflect an expansion of year-end reserves for inventories and accounts receivables, as well as the establishment of a reserve for off-rent equipment.

Mr. Rifenburgh noted that the prospects for the Company's rental business were excellent. "May and June orders in the U.S.," he said, "were at a satisfactory level, reflecting the build-up of SYSTEM 2400 orders as well as renewed strength in other end-user equipment lines. Incoming orders from Europe and Canada continued at previous levels, but OEM orders showed little improvement during this period.

"We expect that fiscal 1972 will prove to be a satisfactory year," Mr. Rifenburgh stated. "However," he pointed out that "the engineering and marketing costs currently being expensed in connection with the new SYSTEM 2400 should be considered as long term investments which will only begin to be recovered when shipments and revenues from the new systems commence later this summer. Consequently it would be reasonable to expect a gradual but steady earnings recovery as fiscal 1972 proceeds."

Plaintiffs' Exhibit 25

- 3 -

The condensed consolidated earnings statements are as follows:

	Nine Months Ended	
	April 30,1971	April 30,1970
	(000's omitted)	
Net sales	$ 29,814	$ 47,035
Rental and service income	38,076	27,331
Total revenues	$ 67,890	$ 74,366
Income (loss) before income taxes	$(2,040)*	$ 8,901
Provision for income taxes (credit)	(990)	4,415
Net income (loss)	$(1,050)	$ 4,486
Net earnings (loss) per share	$ (.18)	$ 0.79
Average outstanding shares	5,707	5,663

(*) Earnings before income taxes for the nine months ended April 30, 1971 were affected by the following adjustments:

Change in accounting for sales to third-party lessors	$ 1,315,000
Pooling of interests of Atron Corp.	540,000
Additional provisions to reserves for accounts receivables and inventories	2,865,000
Provisions for off rent equipment	600,000
Other	450,000
	$ 5,770,000

# # # #

Plaintiffs' Exhibit 29

April 19 MONDAY

~~APRIL~~ 18 ~~SUNDAY~~ 19[illegible] 108th day - 257 days follow

Low Sunday—First Sunday after Easter

~~Jerry Jodie 943-7191~~ (friend of Mine)

~~Don Woods (233)~~

~~Lt. Mc Fulare~~

~~Barnett~~

~~Bagwell~~

~~Holmes~~

~~Dalton~~

~~Bob McFarland Louis Klapsaky 202-382-2980 WC~~

~~Lyle Le Pard~~

~~Harris Shapiro~~

~~McFarland Cretsos (Boston)~~

~~Attention PL 3-6300~~

~~Jim Ford~~

~~Brown~~

~~Bennett~~

~~Hagen~~

~~Smith 736-9057~~

~~Bob Fulare (John McGee)~~

Hank Goldyen WC

~~Hank Bagwell~~

Ol Charles Smith WC Mem.

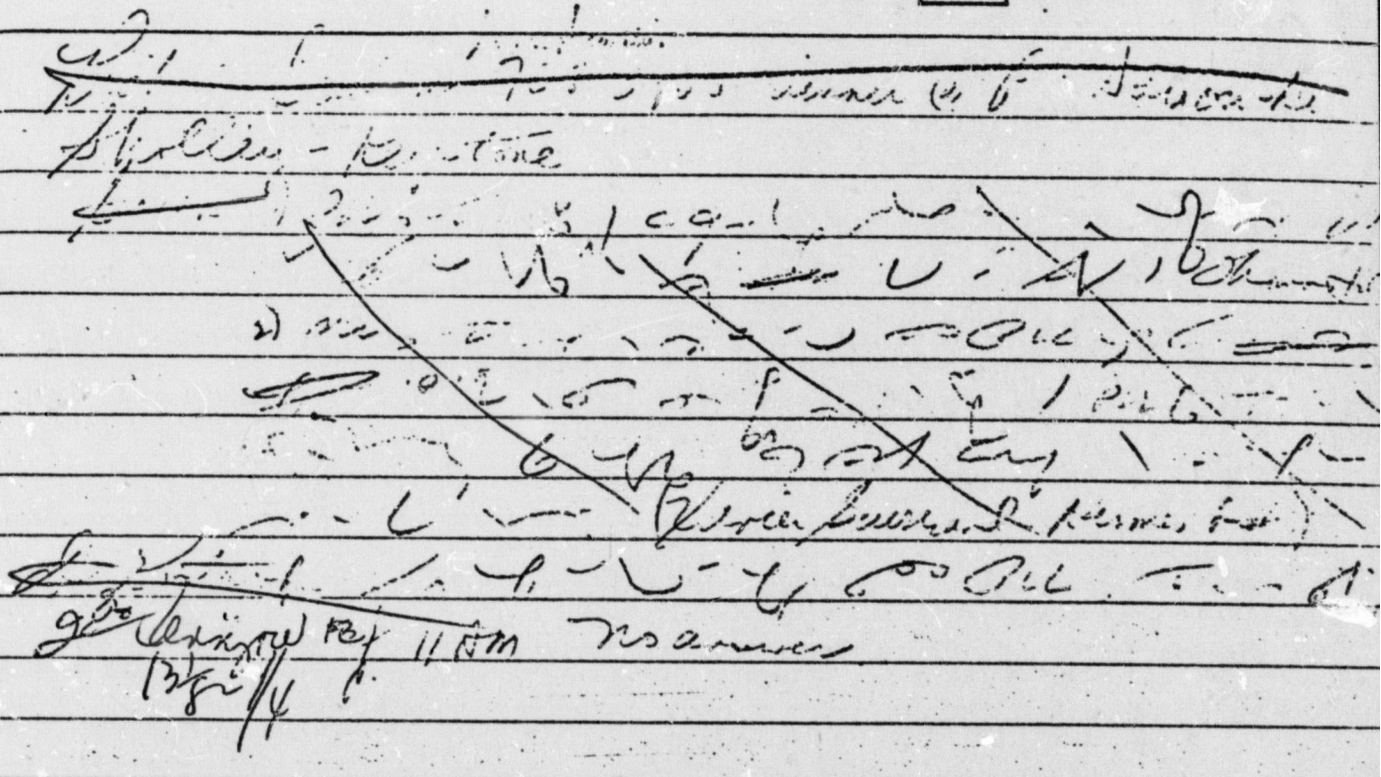
~~Hines~~

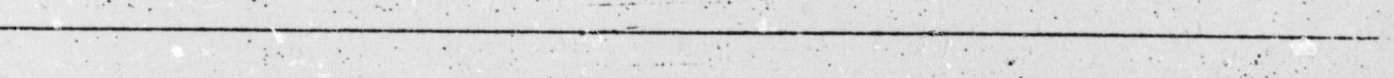
11

Plaintiffs' Exhibit 29

1971 109th day - 256 days follow

MONDAY 19 APRIL





Plaintiffs' Exhibit 30

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934.

For Quarter Ended January 31, 1971

1-5474
(Commission file number)

Mohawk Data Sciences Corp.
Palisade Street, Herkimer, New York 13350
(315) 867-6000
(Address of principal executive offices and telephone number at such address)

New York
(State of Incorporation)

#16-0875598
(I.R.S. Employer Identification No.)

Plaintiffs' Exhibit 30

A. Summarized Financial Information

Mohawk Data Sciences Corp. and Subsidiaries

Profit and Loss Information For the Three Months Ended

		January 31, 1971	January 31, 1970
		(000's Omitted)	
1.	Net sales	$10,920	$16,775
2.	Rental and service income	12,385	9,105
3.	Total of captions 1 and 2	23,305	25,880
4.	Costs and expenses —		
	(a) Cost of sales	6,081	9,829
	(b) Cost of rental and service income	5,553	4,086
	(c) Development and engineering expenses	1,852	1,525
	(d) Selling, general and administrative expenses	7,024	5,467
	(e) Interest expense	1,138	966
	(f) Other (income) deductions—net	(138)	(68)
	Total costs and expenses	21,510	21,805
5.	Income (or loss) before taxes on income	1,795	4,075
6.	Provision for taxes on income	715	2,015
10.	Net income (or loss)	$1,080	$2,060
11.	Earnings per share	$.20	$.38

B. Capitalization and Stockholders' Equity

As at January 31, 1971

Plaintiffs' Exhibit 30

The capitalization of the Company as at January 31, 1971 was as follows:

		(000's Omitted)
Debt		
Short-term loans, notes, advances, etc.		$16,919
Long-term debt:		
Convertible Debentures:		
5½% Convertible Subordinated Debentures due December 15, 1994	$30,000	
5½% Subordinated Guaranteed Debentures due 1989	15,000	45,000
Mortgages (including current portion of $83,527)		1,016
Other sundry indebtedness		4,364
		50,380
Total debt		$67,299

Shares Issued and Outstanding

Common Stock, par value $.10 per share; authorized 15,000,000 shares; issued and outstanding 5,483,962 shares (1)	$ 548
Capital in Excess of Par Value	$30,092
Retained earnings—	
Balance at October 31, 1970	$17,195
Net income (Caption 10, above)	1,080
Balance at January 31, 1971	$18,275
Total Stockholders' Equity	$48,915

(1) In addition, 401,666 shares of Common Stock were reserved for issuance upon the exercise of employee qualified, restricted and non-qualified stock options granted or which may be granted; 148,659 shares were reserved for issuance in connection with Mohawk's Stock Purchase Plan; and 533,805 shares were reserved for issuance upon the conversion of the Debentures referred to above.

Plaintiffs' Exhibit 30

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MOHAWK DATA SCIENCES CORP.

March 12, 1971

By Wayne Wells

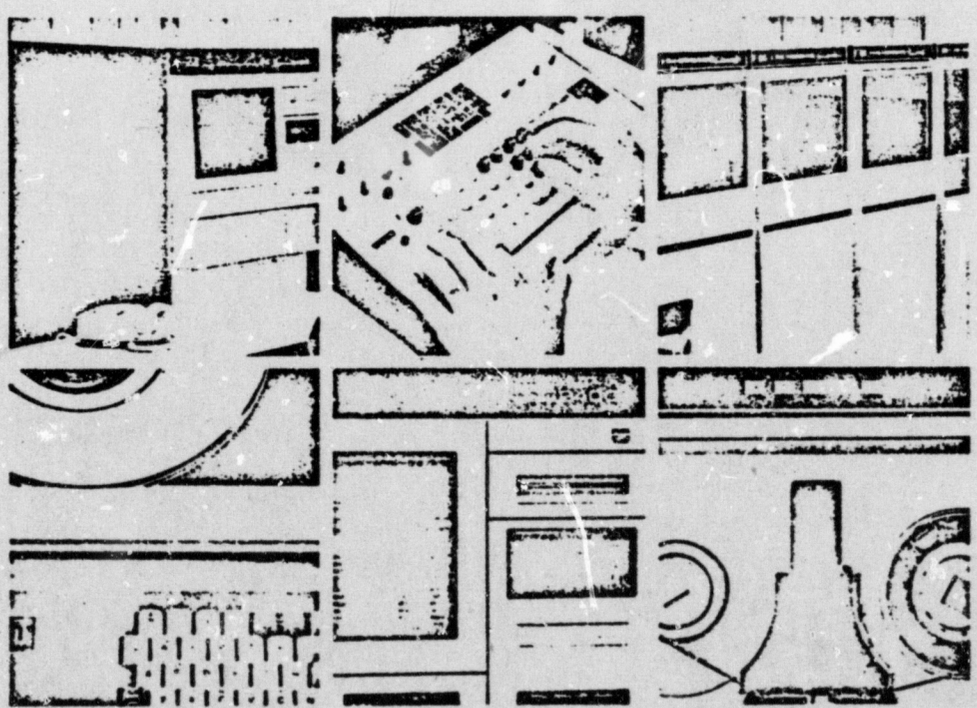
Wayne Wells
Executive Vice President and Treasurer

Plaintiffs' Exhibit 33

Mohawk Data Sciences Corp.

Annual Report

Covering the Nine Months Ended April 30, 1971.



671a

Annual Meeting of Shareholders will be held at 10 A.M. on Wednesday, September 1, 1971, in the Cascade Room of the General Herkimer Hotel, 248 North Main Street, Herkimer, N.Y.

Plaintiffs' Exhibit 33

DIRECTORS

ROBERT GROBEN
Partner, Ferris, Hughes, Dorrance & Groben

V. E. JOHNSON
Chairman, Mohawk Data Sciences Corp.

PAUL R. JUDY
President, A. G. Becker & Co., Incorporated

RICHARD L. KARPEN
Executive Vice President, Mohawk Data Sciences Corp.

LORNE H. KING
Retired

MAX PHILIPSON
President, Max Philipson & Co., Inc.

THEODORE D. ROBINSON
Consultant

RICHARD P. RIFENBURGH
President, Mohawk Data Sciences Corp.

HERBERT ROTH, JR.
President, LFE Corporation

PAT B. SMITH
Vice President, Mohawk Data Sciences Corp.

OTTO STITZ
President, MDS International, Inc.

WAYNE WELLS
Executive Vice President and Treasurer, Mohawk Data Sciences Corp.

OFFICERS

V. E. JOHNSON
Chairman

RICHARD P. RIFENBURGH
President

RICHARD L. KARPEN
Executive Vice President

OTTO STITZ
President, MDS International, Inc.

WAYNE WELLS
Executive Vice President and Treasurer

ORRIN B. CRAIGIE
Vice President — Domestic Marketing

JOHN J. EGAN, JR.
Vice President — Field Marketing

H. VAN FORSYTHE
Vice President and General Manager — Mark Steel Stamp

JOHN D. HAZZARD
Vice President — Marketing Development

DAVID HEMPHILL
Vice President and General Manager — Peripheral Operations

ROBERT J. HINGRE
Vice President and General Manager — Herkimer

ROBERT T. PEARSON
Vice President — Federal Government and OEM Marketing

PAT B. SMITH
Vice President

PHILIP J. ABLOVE
Vice President and Secretary

CARL R. PITE
Controller

GENERAL MANAGERS OF INTERNATIONAL SUBSIDIARIES

BELGIUM — D. van der PLASSCHE

CANADA — A. MACKEY

DENMARK — S. WALSTAM

FRANCE — G. SEVERAC

GERMANY — W. ZACHARIAS

GREAT BRITAIN — D. PITCHER

ITALY — C. PALLADINO

NETHERLANDS — A. UYTTENBROCK

SWITZERLAND AND DISTRIBUTOR ORGANIZATION — K. KASPAR

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TRANSFER AGENT
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New York, N.Y.

CORPORATE OFFICE
Palisade Street,
Herkimer, New York 13350

SHARES TRADED
New York Stock Exchange,
(Ticker Symbol "MDS")

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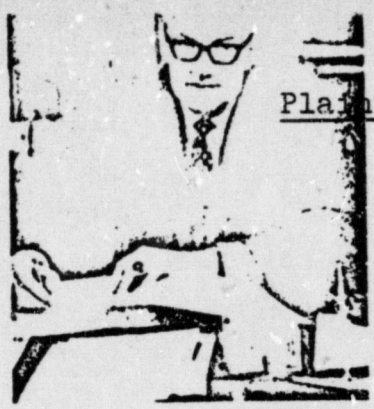

V. E. Johnson
Chairman

R. P. Rifenburgh
President

To Our Shareholders:

The consolidated results for the nine-month fiscal year extending from August 1, 1970 through April 30, 1971 were as follows:

- Total revenues were $67,889,000, of which rental and service income accounted for $38,076,000.
- After significant accounting adjustments, the Company sustained a pretax loss of $1,590,000.
- After tax credits and extraordinary items, the net loss for the period amounted to $1,050,000 or 18¢ per share.

In the Company's twelve-month fiscal year ended July 31, 1970, total revenues, net income and per share earnings were $98,819,000, $5,808,000 and $1.02, respectively.

The results for both fiscal periods include the operations of Atron Corporation, which was merged into a subsidiary of MDS on a pooling-of-interests basis, and a change in the accounting treatment of sales of equipment on rent to third party lessors. The 1971 results also reflect an expansion of year-end reserves for inventories, accounts receivables, and off-rent equipment.

MDS's abbreviated fiscal year spanned a difficult period in the data processing industry. The period was marked by a lagging recovery in the domestic economy and severe competitive pressures, including the recent and significant changes in the industry's pricing structure. MDS was not alone in feeling these stresses, sharing them with the largest and most firmly entrenched companies in our business.

End user customers in the United States, faced with lingering uncertainty as well as continued budget constraints during the period, generally were reluctant to make new rental or purchase commitments in expanding their installations. Indeed, returns of domestic rental equipment were a problem all year, especially in the Company's initial product — the Series 1100 DATA-RECORDER line. It is to the credit of the MDS marketing organization that, under such adverse conditions, rental and service income in the recently completed nine months exceeded that of the corresponding nine-month period a year ago by almost 40%.

Original equipment manufacturers (OEM's), who incorporate peripheral hardware from independent suppliers within their data processing systems also destined for the end user marketplace, responded to the tightening with sharp cutbacks. As a result, net sales declined as the rate of OEM shipments dropped sharply.

Shortly after the turn of the calendar year, the Company noted an encouraging pick-up in domestic orders for most of its end user products. While the general uptrend has been maintained to date, it is proving far less robust than had been hoped for. At the same time, MDS's foreign operations continue to make excellent progress. OEM orders, on the other hand, showed little improvement. Because of the long lead times between the initial evaluation by an OEM customer and the shipment of significant quantities of equipment, any resumption of activity in this market will not benefit the Company until well into its current fiscal year.

Midway through the period the Company received new Government contracts valued at $2.4 million calling for shipment of equipment for the Department of Defense AUTODIN worldwide digital communications network. Unlike the previous contracts under this program, these follow-on shipments are expected to produce profits for the Company.

Apart from the effect of these short-term trends on the Company's operating results, we believe that a far more fundamental and far-reaching impact will be felt from our new Peripheral Processing System 2400, which is featured elsewhere in this report. Its introduction in February, 1971 underlined MDS's long-standing commitment to the end user rental business and marked a new phase in its corporate development as a systems manufacturing and marketing organization. Good progress has been recorded to date in incoming orders in spite of the fact that demonstration units have only recently been shipped to selected MDS offices both in the U.S. and abroad. Customer deliveries, which began in late July, should be well-timed in an environment in which users increasingly subject existing EDP hardware to rigorous cost/throughput analysis. To realize its long-term goals for the System 2400, MDS has and will continue to make a major manpower and financial commitment to this program. Expensing all marketing and development costs as in the past, the Company views this as a long-term investment which will only begin to be recovered in the last half of the current fiscal year as the buildup of installed System 2400s proceeds.

While the development schedule for the System 2400, calling for the release of five anticipated groups of systems configurations in the current fiscal year, placed MDS engineering under considerable pressure, several other important new product programs advanced to completion during fiscal 1971. The Series 2000 Tape Drives were announced and shipped early in the period to end user customers as a part of the System 2501 Programmable Print Station. These low cost, highly reliable drives will also be an important component of the System 2400, which in its maximum configuration can handle eight tape units.

Plaintiffs' Exhibit 33

Having achieved a cost breakthrough in manufacturing tape drives in its King of Prussia facility, MDS announced its entry into the IBM-plug compatible tape drive field. Initial deliveries of the replacement drives will commence later this year under a program featuring long-term leases, conservative depreciation practices, and interchangeability with tape units used in the System 2400.

As a result of the Atron merger, MDS will be offering to users, for shipment in July, a Programmable Dedicated Terminal which will be a direct replacement for terminals of other computer manufacturers, including the IBM Model 2780.

Two important products still in development but scheduled for release next year are the Series 1310 Serial Matrix Printer and the High Speed Train Printer. Both will be aimed at the OEM as well as the rental markets, and each will provide broadened capabilities to the System 2400.

Key organizational changes during fiscal 1971 reflected the preparations underway to facilitate MDS's transition to a broad-based, systems company. Mr. John J. Egan, Jr., formerly a senior marketing executive with another computer company, joined the Company as Vice President–Field Marketing. Mr. Robert Pearson assumed the important post of Vice President–OEM Marketing in addition to his responsibilities for Federal Systems Marketing. Similarly, Mr. David Hemphill was appointed Vice President–Peripheral Equipment with responsibility for the Company's King of Prussia, Pa. and Stoneham, Mass. engineering and manufacturing facilities.

Mr. Theodore D. Robinson was elected to the Board of Directors at the Stockholders' Meeting held November 17, 1970. Mr. Robinson was a founder of the Company and has made significant contributions to the Company's progress.

Financially, too, the Company last year prepared to meet the expanding capital requirements implicit in its planned corporate development program. In February, 1971, MDS expanded its bank lines to an aggregate of $55 million. Of this amount, $28 million is a five-year, multi-currency credit for use in expanding MDS's overseas rental business. The other $27 million is a three-year credit to finance domestic operations. Of the $55 million total lines available, approximately $21.5 million had been taken down by year-end. In addition, a five-year, $2.4 million Sterling/Dollar back-to-back financing arrangement was concluded to provide Sterling funds to MDS-Great Britain at a favorable rate of interest.

The remaining bank credit, together with internally generated funds, should meet MDS's working capital requirements through the current fiscal year. Depending on the rate of orders and shipments of System 2400s, the Company will continue to investigate the advisability of additional financing to prepare meeting its objectives.

As stated above, Atron Corporation was acquired as of April 30, 1971 in exchange for approximately 225,500 shares of the Company's Common Stock. The Atron organization, together with our engineers, developed the peripheral processor which is a key component of the System 2400.

Shareholders of Colorado Instruments, Inc., will shortly be called upon to approve the proposed merger of that company into a subsidiary of MDS at an exchange basis of one MDS share for nine shares of Colorado. The merger, to be accomplished on a "purchase" basis, calls for the issuance of approximately 63,400 shares of MDS Common Stock. MDS had long-standing relationships with these companies prior to the merger, and will benefit from the addition of these companies' products and professional data processing management.

The organization and financial commitment to the System 2400 program—beyond the reach of most independent peripheral companies—is both required to accomplish our objectives and justified by the rewards inherent in their attainment. At the same time, MDS is a part of and affected by the data processing marketplace. As previously noted, conditions in that market have been adverse, and hardly conducive to making investments for long-term growth. Yet that is precisely what MDS has done and will continue to do. A massive effort will be mounted from this point forward to get System 2400s on rent and keep them there.

In summary, the Company has approached the fiscal year with an accounting posture deemed appropriate to the changing and challenging environment. It was adopted to ensure that the results of our investment in the System 2400 program will be directly reflected in earnings over its life cycle. Management believes that the System 2400 is an exciting product, a sound concept, and the appropriate vehicle with which to move MDS to the next plateau in its development.

Sincerely,

V. E. Johnson
Chairman

Richard P. Rifenburgh
President

July 26, 1971

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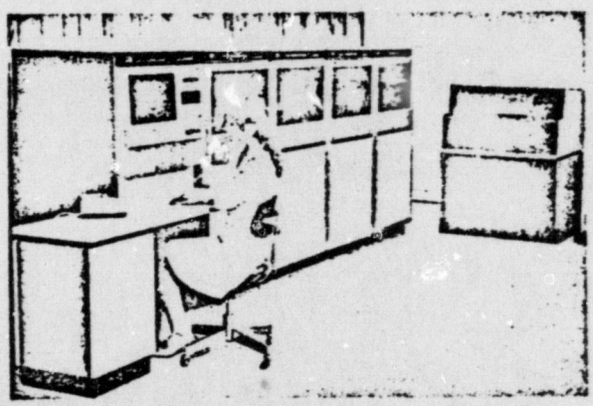
The promise of peripheral processing

Plaintiffs' Exhibit 33

SYSTEM 2400

"The period when the computer was an exciting novelty for management is now closing. Businessmen are learning what the computer can do—and even more important, what it cannot do. Increasingly, they regard it as another piece of equipment, to be costed out carefully, worked hard, and forced to earn its keep. This is a basis on which both the industry and the computer users can do business."

Business Week, June 5, 1971



The recession of 1970 and the limping recovery of 1971 resulted in a painful period of reassessment in the EDP departments of U.S. business. A pause in more than two decades of spectacular growth in the data processing industry followed. The spiralling costs of data processing – outrunning any other single business cost — had reached staggering and clearly unsustainable proportions. While the computer brought enormous benefits to many companies, in others its promise remained unfulfilled despite the cost. Users recognized the need for a realistic perspective on their objectives for and investment in EDP.

In response, Mohawk Data Sciences Corp. introduced its new SYSTEM 2400. By arresting the EDP cost spiral, the SYSTEM 2400 promises to build bottom line profits for users and, in so doing, for MDS.

What is the SYSTEM 2400?

SYSTEM 2400 is a business-oriented peripheral processing system. It was designed to serve the specific input, output, communications and media conversion requirements of computer users. SYSTEM 2400 cannot be defined as a single entity. It is a modular system, built around a specially designed, high performance peripheral processor. A wide variety of peripheral devices configured to accomplish specific ends are used. As such, SYSTEM 2400 can be expanded or contracted as requirements change. The user merely adds or removes devices or features from the original configuration. Two announcement packages have been made detailing the very comprehensive array of devices available to the SYSTEM 2400 user. The wide choice includes the following types of machines: (1) magnetic tape drives (4 types), (2) disk memory drives, (3) card punches, (4) card readers, (5) drum and chain line printers (at a number of effective speeds), (6) punched paper tape readers, (7) DATA-RECORDERS and (8) a variety of communication modes.

A continuing expansion of both peripheral components and configurations is planned.

How will the SYSTEM 2400 be used?

Main frame computers should compute or process data. This, after all, is what they were intended to do. Routine chores needed to prepare data for processing, or to move data out of the central processor, are better done by a sytem specializing in this kind of work. SYSTEM 2400 is such a system — a peripheral processor.

Peripheral processing is a new term for an old concept. Every new generation of computers intensifies the problem of moving data into and out of these increasingly powerful and expensive machines. With every new generation cycle, the rationale for off-line hardware — releasing computer capacity and conserving costly main frame time — picks up momentum.

Using only a fraction of the central processor's capacity to control slow peripheral devices is inefficient and wasteful. Even worse, it represents a mismanagement of professional data processing talent. Every routine "housekeeping" task requires the creation of a program using only a portion of the programmer's capabilities and instruction repertoire.

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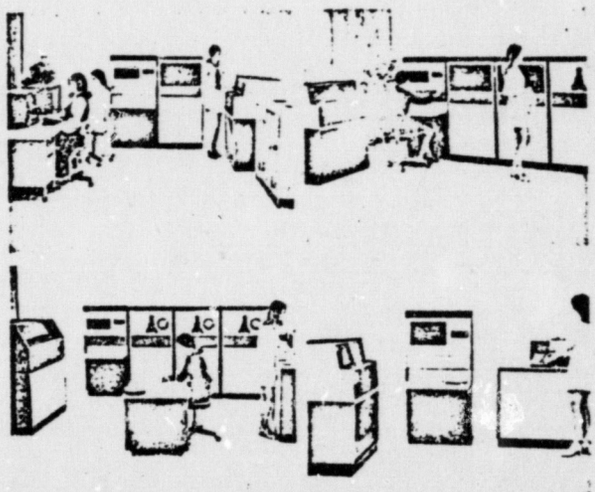

The result is an imbalance in task, program and computer, and an indefensible misallocation of data processing resources.

Who are SYSTEM 2400's competitors at this time?

Large main frame computers. Until now a *system* dedicated to the peripheral areas of data processing has not been available. Users had to 'make-do' with smaller configurations of general purpose main frames to accomplish housekeeping tasks. The most popular of these "mis-used" computers come, of course, from IBM, especially the 1401, 360 20 and 360/25. These and other models from Univac, Burroughs and Honeywell probably will represent the major competitors of the SYSTEM 2400.

What is the competitive advantage of the SYSTEM 2400?

Contrasted with a small general purpose computer that has been interfaced with peripherals, SYSTEM 2400 offers two dramatic benefits to users. It is less expensive. And, since scarce programmers are not required, it is easier to use.

MDS is designated, in our industry, as an "independent" — we are not a main frame supplier. We have a distinct advantage over other independents in being able to offer the broadest range of peripherals from a single source with the SYSTEM 2400. Almost all of these peripherals are manufactured by the Company. They are all proven units.

Finally and probably most important, a SYSTEM 2400 user will be supported by the world's largest trained group of data processing personnel specializing in his peripheral needs. And he will have available with the 2400 broader and more numerous background support packages than those offered by any other independent.

What is MDL?

Mohawk Data Language (MDL) is the recommended means by which users tell the SYSTEM 2400 the work it is to do. Designed to be used by non-programmer, clerical personnel, MDL is a simplified user-oriented programming language based on a limited dictionary of English words and algebraic symbols. Because of its ease of use, expensive professional programmers are not required.

What are the data communications possibilities of the SYSTEM 2400?

SYSTEM 2400 is a complete transmission terminal, equipped to communicate at any speed from 300 to 50,000 bits per second. It operates in any of the widely used communications disciplines: IBM 2780, Univac DCT 2000, IBM 360/20, CDC UT200, Univac 1004, etc. This means that the SYSTEM 2400 — at the flick of a switch — can look like any of these machines to a computer that works with one or all of these models.

At the outset, MDS estimated that data communications, the most rapidly expanding EDP area, would be an important market for the SYSTEM 2400. The order pattern developed to date validates this forecast.

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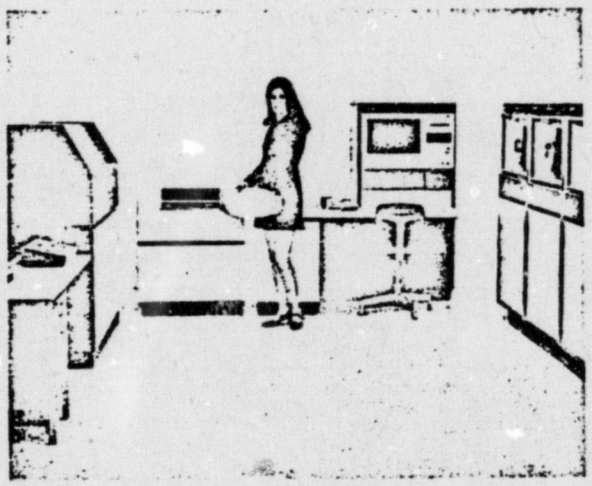
What does "systems selling" mean to MDS?

MDS's progress in the future will, as it has in the past, clearly depend on its ability to provide workable solutions to real user problems. Over the past seven years since its founding, the Company has developed a very broad range of individual peripheral products. The next logical step was to tie these and future products together in ways that meet the requirements of user's *systems*. And in a manner that would assure the Company's long-term growth and profitability. That step is represented by the SYSTEM 2400.



Why a SYSTEM 2400 now?

Timing is crucial in launching a new EDP product. Generation changes have always caused upheavals among manufacturers and users alike. But such changes were often beneficial to smaller companies alert to the opportunities they provided.

Such was the case with MDS in 1964, and much of the early success of the DATA—RECORDER was attributable to timing. The arrival of the tape-oriented IBM 360 computer at a time when the principal input medium was still the punched card represents a classic case of a market opportunity created by advancing technology.

The strategy involved in the timing of the SYSTEM 2400 is of a different nature. Corporate management today is focusing on "throughput" as it looks at the latest computer generation. Users also question continuous upgrading to larger systems merely because manufacturers make them periodically available. Data processing managers today are sharpening their pencils, defining their needs, and assessing the *total* cost of performance.

To paraphrase *Business Week*, this is the basis upon which users and MDS—with its new SYSTEM 2400—can be expected to do business.

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MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	April 30, 1971	July 31, 1970 (Restated)
	(000's omitted)	
Current Assets:		
Cash (including time deposits)	$ 5,629	$ 12,466
Accounts receivable—principally trade, less allowance of $1,435,000 and $878,000 for doubtful accounts	14,455	16,925
Inventories, at lower of cost or market	40,703	41,072
Other	1,508	1,553
Total Current Assets	62,295	72,016
Rental Machines—at cost of production, less accumulated depreciation of $24,735,000 and $15,486,000—Note C	52,234	41,360
Fixed Assets—at cost, less accumulated depreciation of $6,927,000 and $6,080,000—Note C	15,595	15,249
Excess of Cost over Book Equity of Companies Acquired	2,442	2,442
Long Term Receivables	3,853	1,298
Deferred Income Taxes	2,611	1,082
Deferred Charges and Other Assets	1,798	1,684
	$140,828	$135,131
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable	$ 3,258	$ 15,330
Accounts payable	8,011	8,013
Federal and foreign income taxes	2,504	5,255
Other	4,698	5,640
Total Current Liabilities	18,471	34,238
Convertible Debentures—Note E	45,000	45,000
Notes Payable to Banks—Note F	21,532	
Other Long Term Debt	6,337	5,336
Unamortized Investment Tax Credits	785	1,070
Deferred Credits	949	733
Stockholders' Equity—Notes A, B and D:		
Common Stock, par value $.10 per share; authorized 15,000,000 shares; issued and outstanding 5,710,359 shares (1971) and 5,706,547 shares (1970)	571	570
Capital in Excess of Par Value	35,303	35,254
Retained Earnings	11,880	12,930
Total Stockholders' Equity	47,754	48,754
Contingencies, Commitments and Other Comments—Note I		
	$140,828	$135,131

The accompanying notes are an integral part of these statements.

Plaintiffs' Exhibit 33

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Nine Months Ended April 30, 1971	Year Ended July 31, 1970 (Restated)
	(000's omitted)	
Net sales—Notes A, B and I	$ 29,813	$ 60,260
Rentals and service income	38,076	38,559
	67,889	98,819
Cost of sales	20,464	35,974
Cost of rentals and service	18,101	17,146
	38,565	53,120
Gross profit	29,324	45,699
Development and engineering expenses	5,863	7,019
Selling, general and administrative expenses	22,142	23,617
	28,005	30,636
	1,319	15,063
Other deductions—net (principally interest expense)	2,909	3,655
Income (loss) before taxes based on income and extraordinary items	(1,590)	11,408
Provision (credit) for taxes based on income—Note I	(570)	5,600
Income (loss) before extraordinary items	(1,020)	5,808
Extraordinary items—net—Note H	(30)	
Net income (loss)	($1,050)	$ 5,808
Net income (loss) per share of Common Stock*	($.18)	$ 1.02

*Computed on the basis of the weighted average number of shares outstanding during each period, after giving retroactive effect to an acquisition treated on a pooling-of-interests basis (see Note A). No effect has been given to Common Stock equivalents because for 1970 they would have no material dilutive effect and for 1971 they would decrease net loss per share. In fiscal 1971, the extraordinary items—net have no effect on the per share amount.

The accompanying notes are an integral part of these statements.

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MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SOURCE AND USE OF WORKING CAPITAL

	Nine Months Ended April 30, 1971	Year Ended July 31, 1970 (Restated)
	(000's omitted)	
Sources of Working Capital:		
Net income (loss)	($1,050)	$ 5,808
Depreciation and amortization	11,609	10,634
Sale of fixed assets and rental machines	2,346	1,979
Sale of common stock	50	5,310
Sale of convertible debentures		30,000
Increase (decrease) in long term debt—net	22,533	(22,321)
	35,488	31,410
Uses of Working Capital:		
Rental machines	22,236	23,902
Fixed assets	2,939	3,863
Other	4,267	2,943
	29,442	30,708
Net Increase in Working Capital	6,046	702
Working Capital at beginning of year	37,778	37,076
Working Capital at end of year	$43,824	$37,778

CONSOLIDATED STATEMENTS OF CAPITAL IN EXCESS OF PAR VALUE AND RETAINED EARNINGS

Capital in Excess of Par Value—Note A:		
Balance at beginning of year (including in 1970, $1,120,000 applicable to a company acquired in a pooling-of-interests)	$35,254	$29,954
Issuance of Common Stock		
By an acquired company prior to the pooling		4,049
Exercise of stock options and warrants	49	1,251
Balance at end of year	$35,303	$35,254
Retained Earnings—Note A:		
Balance at beginning of year (including in 1970, ($485,000) applicable to a company acquired in a pooling-of-interests)	$12,930	$ 7,122
Net income (loss) for period	(1,050)	5,808
Balance at end of year	$11,880	$12,930

The accompanying notes are an integral part of these statements.

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NOTES TO FINANCIAL STATEMENTS

NOTE A — Principles of Consolidation:

Effective April 30, 1971, the Company changed its fiscal year end from July 31 to April 30. The accompanying financial statements include the accounts of all subsidiaries. The financial statements for 1970 have been restated to include on a pooling-of-interests basis, the accounts of Atron Corporation, acquired on April 30, 1971 in exchange for 225,522 shares of the Company's Common Stock. The accounts of Atron as at September 30, 1970 and for the twelve months then ended have been included in the 1970 consolidated financial statements and included for the seven months ended April 30, 1971 in the 1971 consolidated statement of income.

Net sales, rentals and service income and net income (loss) of the Company (MDS) and Atron included in the consolidated statements of income are as follows:

	Fiscal Period Ended*	
	April 30, 1971	July 31, 1970
	(000's omitted)	
Revenues:		
MDS		
Net sales	$29,679	$60,203
Rentals and service income	38,002	38,555
Atron		
Net sales	134	57
Rentals and service income	74	4
Total	$67,889	$98,819
Net Income (Loss):		
MDS	($950)	$ 6,833
Atron	(100)	(1,025)
Total	($1,050)	$ 5,808

*After restatement for change in accounting as described in Note B and after elimination of intercompany sales and service income from Atron to MDS of $2,185,000 (1971) and $834,000 (1970), and elimination of intercompany profits thereon of $437,000 (1971) and $100,000 (1970). Development expenses of Atron have been expensed in the period incurred in conformity with the accounting practice of MDS, the effect of which was to decrease Atron's loss by $162,000 in 1970.

The consolidated net income (loss) for 1971 and 1970 includes $2,240,000 and $3,280,000, respectively, representing the combined net income of foreign subsidiaries (including MDS Capital Corporation). Provision has been made for U.S. income taxes on unremitted foreign earnings to the extent they are not expected to be permanently invested.

Net assets of the foreign subsidiaries included in the consolidated balance sheets at April 30, 1971 and July 31, 1970 (exclusive of intercompany balances) are:

	1971	1970
	(000's omitted)	
Current assets	$17,492	$16,398
Current liabilities	(8,811)	(14,576)
Rental machines — net	23,665	15,994
Other liabilities — net	(5,454)	(248)
Net assets	$26,892	$17,568

NOTE B — Change in Accounting:

The Company has reviewed its method of accounting for sales of equipment on rental to non-affiliated third parties which began in fiscal 1970. The sales agreements related to such sales provide, in the event of termination of any leases during the five years after sale, for options by the Company generally to substitute lessees or substitute equipment. In view of the fact that the amount of equipment either returned or having its leases terminated significantly exceeded that anticipated by the Company at the time of sales, MDS retroactively changed its accounting policy during fiscal 1971 from that of accounting for such transactions as sales to accounting for rental income therefrom by use of the operating method. The principal effects of the change in accounting method have been to reduce revenues by $3,792,000 and net income by $1,490,000 ($.27 per share) for the year ended July 31, 1970 from that previously reported and the accumulated retained earnings as at that date by the latter amount.

NOTE C — Rental Machines and Fixed Assets:

The following tabulation sets forth the major classifications of fixed assets and the estimated useful lives used in computing depreciation and amortization:

	Years	Cost as at April 30, 1971	Cost as at July 31, 1970
		(000's omitted)	
Land and improvements	10	$ 1,337	$ 1,209
Buildings and improvements	5-45	6,473	6,881
Machinery and equipment	3-33	13,993	12,648
Construction in progress		719	591
		$22,522	$21,329

For financial reporting purposes, depreciation is computed on rental machines by the 150% declining-balance method as to those machines delivered prior to August 1, 1967; as to those machines delivered after that date, the cost

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of the machines (domestic) is depreciated 20% during each of the first four years and the balance over the remaining life of such assets; the cost of machines delivered by foreign subsidiaries is depreciated over 5 years on a straight line basis. Depreciation and amortization amounted to $11,609,000 (including $600,000 provision for idle equipment) and $10,634,000 for the nine months ended April 30, 1971 and the year ended July 31, 1970, respectively.

NOTE D — Capital Stock:

In July 1970 the Company adopted a new non-qualified stock option plan for up to 400,000 shares (increased to 550,000 on June 30, 1971) under which options for 177,600 shares were granted at $23.00 per share (market price) for each unexercised qualified stock option (and unexercised non-qualified option in the case of foreign employees). Such new options, in effect, provide that the exercise of an option under either plan will cancel all options held by the optionee under the other plan. Options granted under the new plan expire in ten years. The Company also granted options for 103,450 shares at $23.00 in July 1970. During fiscal 1971 options for 34,050 shares were granted at prices ranging from $23.00 to $30.00 per share. Options for 16,750 shares (1971) and 700 shares (1970) were cancelled. No options were exercisable nor were any options exercised. As at April 30, 1971, options for 297,650 shares were outstanding at prices ranging from $23.00 to $30.00 per share and options for 102,350 shares were available for future grants.

In fiscal 1970, the Company issued 12,769 shares of Common Stock in exchange for warrants and 7,266 shares under the old option plans. In fiscal 1970, options for 54,400 shares were granted at prices ranging from $56.25 to $77.62 per share; options for 7,266 shares were exercised at prices ranging from $10.21 to $66.50 per share; and options for 49,230 shares were cancelled. These transactions were made under Stock Option Plans adopted during the fiscal years 1965 (240,000 shares) and 1968 (200,000 shares), non-qualified options for foreign employees and an acquired company's restricted stock option plan (options for 1,666 shares at $17.81 per share were outstanding as at April 30, 1971). As at July 31, 1970, options for 178,566 shares were outstanding at prices ranging from $17.81 to $102.12 per share subject to being cancelled under terms of the new plan described above.

Under the Employee Stock Purchase Plan, subscriptions for 26,939 shares of Common Stock were outstanding as at April 30, 1971 and 120,845 shares were available for future grants under the Plan. During fiscal 1970 and 1971, 812 and 1,246 shares, respectively, were issued under the Plan and subscriptions for 8,751 shares were terminated during fiscal 1971.

In accordance with the Agreement and Plan of Merger effective April 30, 1971, a subsidiary of the Company assumed all outstanding qualified stock options of Atron Corporation. Options covering 5,943 shares of the Company's Common Stock were outstanding at prices ranging from $8.00 to $60.00 per share. During the period ended April 30, 1971, shares equivalent to 2,566 shares of the Company's Common Stock were issued under the plan. In addition, warrants initially issued by Atron (similarly assumed) to purchase an aggregate of 42,500 shares of Common Stock at prices ranging from $25.00 to $68.00 per share were outstanding as at April 30, 1971.

At April 30, 1971, 597,893 shares of Common Stock were reserved for the stock option and purchase plans and warrants and 533,805 shares for conversion of convertible debentures.

The Company had previously authorized 1,000,000 shares of Preferred Stock, par value $1.00 per share, none of which has been issued.

NOTE E — Convertible Debentures:

The 5½% Convertible Subordinated Debentures (due 1994) of $30,000,000 and the 5½% Subordinated Guaranteed Debentures (due 1989) of $15,000,000 are convertible into Common Stock of the Company at $85.50 and $82.00 per share, respectively. The indenture under which the debentures due in 1994 were issued provides for annual sinking fund payments, beginning in 1979, of 5% of the principal amount outstanding on December 15, 1978.

NOTE F — Notes Payable to Banks:

Long term notes payable to banks (principally at interest rates which fluctuate with changes in prime or other rates) were issued under credit agreements entered into in 1971 pursuant to which banks have agreed to loan up to $27,000,000 until March 1974 in the United States and up to $28,000,000 until March 1976 to foreign subsidiaries. Such agreements include provisions which, among other matters, relate to the creation of additional borrowings and the maintenance of working capital, as defined.

NOTE G — Pension and Profit Sharing Plans:

The Company and certain of its subsidiaries have non-contributory pension plans under which there are no unfunded past service costs, and the Company and its domestic subsidiaries have a non-contributory profit sharing retirement plan covering substantially all their employees. Approximately $350,000 (1971) and $728,000 (1970) was provided to cover the cost of such plans. It is the Company's policy to fund pension costs as they accrue, which costs are based upon an appropriate actuarial method. The profit sharing costs represent approximately 3% of consolidated net income before income taxes, as defined (no provision was required in 1971).

NOTE H — Extraordinary Items - net:

The extraordinary items - net in fiscal 1971 consist of (1) a provision of $450,000 for losses on receivables from the sale of former subsidiaries ($225,000) and contract claim settlement applicable to an acquired company ($225,000), less related income taxes of $216,000 and (2) a credit of $204,000 equivalent to the reduction in income taxes arising from the utilization of net operating loss carry-forwards of subsidiaries.

Plaintiffs' Exhibit 33

NOTE I — Contingencies, Commitments and Other Comments:

The Company has entered into a Plan of Merger with Colorado Instruments, Inc. (Colorado), subject to approval by the Colorado stockholders. Under the terms of the plan, (which will be accounted for on a purchase basis), each share of Colorado stock will be exchanged for one-ninth of a share of the Company's Common Stock. As at May 31, 1971, there were 570,660 shares of Colorado stock outstanding plus warrants and stock options. Net assets of Colorado amounted to approximately $330,000 as at May 31, 1971. Total revenues for the twelve months ended May 31, 1971 were $827,000; the loss before income taxes was $1,026,000; and the net loss after income taxes was $1,000,000. The above financial data of Colorado are based upon unaudited statements as of May 31, 1971.

Annual rentals of real property aggregated approximately $1,500,000 at April 30, 1971.

Management is of the opinion that adjustments, if any, of sales subject to the Renegotiation Act of 1951 will have no material effect on the financial statements.

Sales to National Cash Register Company were approximately 33% (1971) and 34% (1970) of net sales.

As at April 30, 1971, the Company's available net operating loss carry-forwards amounted to approximately $1,200,000 (expiring in 1975) and foreign tax credits amounted to approximately $750,000 (expiring in 1976).

ACCOUNTANTS' REPORT

To the Stockholders
Mohawk Data Sciences Corp.

We have examined the consolidated balance sheets of Mohawk Data Sciences Corp. and subsidiaries as at April 30, 1971 and as at July 31, 1970, and the related consolidated statements of income, capital in excess of par value and retained earnings and source and use of working capital for the nine months ended April 30, 1971 and for the year ended July 31, 1970. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements mentioned above present fairly the consolidated financial position of Mohawk Data Sciences Corp. and subsidiaries at April 30, 1971 and at July 31, 1970 and the consolidated results of their operations and source and use of their working capital for the nine months ended April 30, 1971, and for the year ended July 31, 1970, in conformity with generally accepted accounting principles applied on a consistent basis, after giving retroactive effect to the change set forth in Note B to the financial statements.

S. D. LEIDESDORF & CO.

New York, N.Y.
July 14, 1971

Plaintiffs' Exhibit 33

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES

FINANCIAL HIGHLIGHTS

(In millions of dollars)

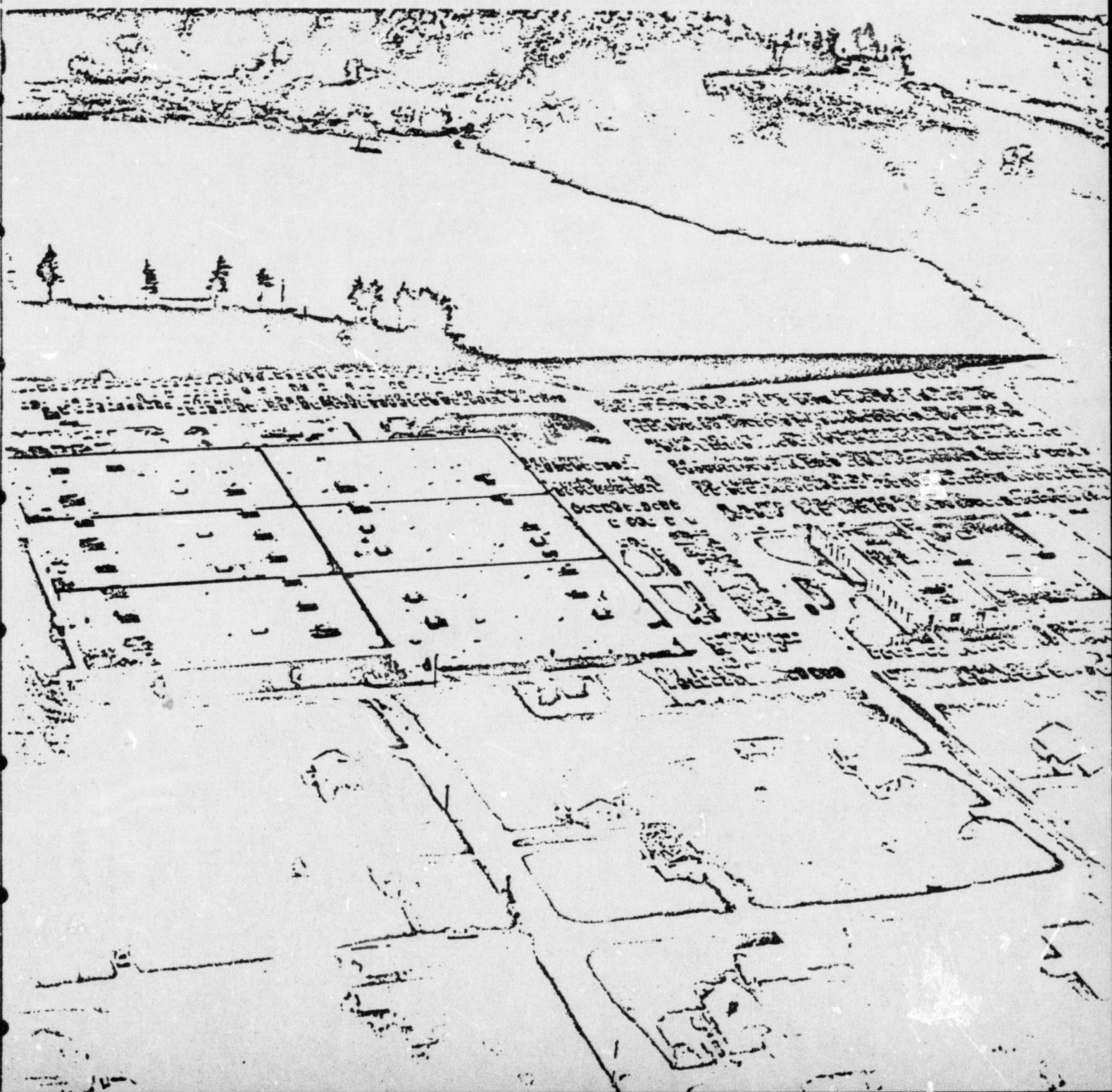
Earnings Data	1971	1970	1969	1968	1967
Net Sales	$29.8	$60.3	$60.9	$44.5	$24.3
Rentals and Service Income	38.1	38.5	22.1	9.4	3.3
Total Revenues	$67.9	$98.8	$83.0	$53.9	$27.6
Earnings (Loss) Per Share					
Before Extraordinary Items	($.18)	$1.02	$1.03	$ .39	$ .14
Extraordinary Items	—	—	.07	.19	.14
Net Earnings (Loss) Per Share	($.18)	$1.02	$1.10	$ .58	$ .28
Financial Data					
Net Working Capital	$43.8	$37.8	$37.1	$20.3	$11.8
Net Book Value of Rental Machines	52.2	41.4	27.8	15.6	5.7
Net Book Value of Fixed Assets	15.6	15.2	13.6	7.7	6.2
Long Term Debt	27.9	5.3	27.8	15.9	5.2
Subordinated Convertible Debt	45.0	45.0	15.0	1.0	.6
Shareholders' Equity	47.8	48.8	37.6	29.2	19.6

Notes:

(1) The above data are for fiscal years ended July 31 except 1971. Such data for 1971 is as at April 30 and for the nine month period then ended.

(2) The above data are restated for acquisitions and accounting changes—see Notes A and B to Financial Statements.

Plaintiffs' Exhibit 33



Plaintiffs' Exhibit 35

UNITED STATES DISTRICT COURT

----------X

PIERRE J. LeLANDAIS & CO., INC., PIERRE J. LeLANDAIS, RESEARCH & SCIENCE INVESTORS, INC., INTERCONTINENTAL TECHNOLOGY & NATURAL RESOURCES, S.A., CORONET FUND and CREATIVE CAPITAL FUND,

Plaintiffs,

-against-

MDS-ATRON, INC., MOHAWK DATA SCIENCES CORP., JOSEPH S. STOUTENBURGH and RICHARD L. KARPEN,

Defendants.

----------X

Deposition of Coronet Fund a Plaintiff by Rudi E. Ludt, taken by the Defendants, Pursuant to Notice, held at the offices of Beekman & Bogue, Esqs., 5 Hanover Square, New York, New York on May 16, 1973 at 1:10 o'clock p.m., before a Notary Public of the State of New York.

New York Reporting Service
16 COURT STREET
BROOKLYN, N.Y. 11241
TEL: 875-9385

Plaintiffs' Exhibit 35

* * *

A He thought it was an interesting venture capital situation, that the company was operating in a very interesting area and he said the company had great future potential.

Q Did you take any further steps at that time to investigate a possible investment in Atron Corporation?

A I discussed the matter with John French who was also interested in making an investment, and I examined the documentation which at that time was in draft stage as to the nature of the financing that was being arranged.

Q Could you tell me what kind of documentation you are referring to?

A Well, I think I'm referring to the draft document which subsequently, in its final form, was a document which is dated, I believe, January 19th, or somewhere in January.

Q Are you referring to the stock purchase agreement?

A I'm referring to the stock purchase agreement.

Q Showing you this document which is entitled, Stock Purchase Agreement, is that the document you are referring to?

A Right, that's the document.

Q Would you turn to the last page of that document. Is that your signature?

A Yes.

MR. DEVINE: I don't think that is the last page. There are three exhibits which follow.

A These are all my signatures.

Q Your signature appears twice on the main body of the document and on Exhibit A?

A Right.

Q Did you have occasion to read this document?

A Yes.

Q Calling your attention to paragraph 7A and B, did you have occasion to read those two paragraphs?

A Right, yes.

Q Can you tell me what your understanding was at that time as to the meaning of those two paragraphs?

MR. DEVINE: I think I object to that. It's kind of a hard question to answer.

Plaintiffs' Exhibit 35

MR. PALTROWITZ: If he recollects.

MR. DEVINE: I don't know that there is any ambiguity in those paragraphs. Why don't you try and work with that question a little bit. I don't really object to the substance of it, but I think it is hard for him to say what his understanding of it was other than what it says.

A My understanding is that this was a venture capital investment and the stock would be restricted and not freely negotiable for a period of time.

Q Had you, at anytime from the inception of Coronet Fund, up until the time period we are talking about now which is Janaury, 1969, had you invested in securities transactions which were not covered by registration statements filed with the Securities and Exchange Commission? In other words, have you dealt in restricted stock?

A Similar type of investments?

Q Well, specifically restricted stock or legend stock.

A Yes.

MR. PALTROWITZ: I will mark this as Exhibit L.

(Whereupon, the above mentioned document was so marked as Defendant's Exhibit L for identification.)

Q Could you tell me approximately what percentage of your investments from 1968 through January, 1969, were in restricted stocks as against free stocks?

A About seventy-five percent.

MR. DEVINE: Referring to Coronet Fund?

MR. PALTROWITZ: Yes.

Q Did that activity in restricted stocks consist of both purchases and sales or merely purchases?

A Purchases.

Q During that period, there was no occasion when you sold stock that was restricted?

A No.

Q Referring you to paragraph 3B of the Stock Purchase Agreement which refers to an investment letter to be supplied by you to Atron, did

* * *

Plaintiffs' Exhibit 35

restricted stock was that after a period of holding the stock, it would ultimate be free stock subject to the S.E.C. regulations prevailing at that point in time.

Q You were aware of the S.E.C. regulations prevailing at that time?

MR. DEVINE: Aware of their existence?

MR. PALTROWITZ: Yes.

A Sure.

Q Had you read them?

A Well, the S.E.C. regulations with respect to 144 stock had been clarified a great deal recently. At that point in time, the area as to at what point in time restricted stock would be freely negotiable was somewhat cloudy in terms of interpretations of the S.E.C.'s intent, but the general understanding that I hadwas that after a holding period of two years, the stock could be freed if in the opinion -- if a suitable opinion letter was obtained from counsel for Atron.

Q But it was your understanding that that was not a definitely rule of thumb but that there was some area of doubt as to whether two years would be

Plaintiffs' Exhibit 35 Ludt 12

MR. DEVINE: To the extent that rules of thumb are never definite, I think his answer was pretty clear.

A Let me elaborate on that. There are, I know, of situations where after a period of eighteen months, if you could demonstrate a basic change in circumstances and counsel for the company accepted it, that stock could be freed. In other cases where a company have, let's say, more conservative counsel, the period could be two years or two and a half years. There was not fixed definitive period of time. It was a matter of judgment and circumstances.

Q Did there come a time when you remitted a check to Atron Corporation in payment for shares that you had subscribed?

A Yes.

Q Calling to your attention this document again, a letter to Atron Corporation, is that your signature on that document?

A Yes.

Q Is that the letter that was sent concurrent with the check in payment for securities of Atron Corporation?

* * *

Plaintiffs' Exhibit 35

* * *

legend that appeared in the stock subscription agreement, paragraph 7B?

A Yes.

Q You were fully aware of what that legend meant?

A Yes.

Q Subsequent to January of 1969 and prior to January of 1971, during that time period, did you continue to keep yourself aware of the progress, if any, being made at Atron Corporation?

A Only in the sense that Pierre LeLandais would keep us periodically informed.

Q Did you ever at anytime have discussions with any of the principals,officers, directors or employees of Atron Corporation itself?

A No.

Q Did you receive reports directly from Atron as a shareholder of Atron, annual reports or quarterly reports, financial statements?

A I don't recollect.

Q Could you tell me approximately how many times during that period you might have spoken to Mr. LeLandais concerning Atron Corporation?

A No, but during the period that you are referring

* * *

Plaintiffs' Exhibit 35

* * *

plan was being prepared for submission to the stockholders.

Q Did you have occasion to call anyone at Atron Corporation?

A No.

Q Concerning this document?

A No.

Q Did you have occasion to call anyone at Mohawk concerning the proposed merger?

A No.

Q Between the period of January 29, 1971 which is the date of this press release and April 30, 1971, which was the date of the stockholder's meeting that approved the merger, did you have occasion to have conversations with anyone concerning this merger proposal?

A My recollection is that I discussed it with Pierre LeLandais.

Q Do you recall when that might have been?

A I think it was after I received it, I guess you would call this a proxy statement, from Atron which is dated April 16th.

Q Referring you to Defendant's Exhibit F,

is that the document?

A Yes.

Q Did you receive that document?

A Yes.

Q You have no recollection of talking to Mr. LeLandais prior to the receipt of that document?

A I have no recollection.

Q Do you recollect speaking to Mr. LeLandais subsequently?

A Yes.

Q But prior to the time you voted your shares?

A Yes, I did.

Q Do you recall how many times you spoke with Mr. LeLandais concerning the proposed merger?

A I think only once.

Q Can you recall for me the substance of that conversation? Did you call Mr. LeLandais or did he call you?

A I called him.

Q Can you recall for me the substance of the conversation?

A Well, essentially the subject of the conversation was on interpretation of what the intent was with respect to the shares that the Atron shareholders would receive from Mohawk Data.

Q What was your understanding?

A My understanding was that we would get freely negotiable shares.

Q In return for the restricted shares you held in Atron?

A Yes.

Q Had you arrived at that understanding totally on your own efforts or through conversations with other people?

A Well, I arrived at that understanding by reading the proxy statement, and I wanted to confirm my understanding, and I talked to Pierre as to whether this was the intent, and I received an affirmative reply.

Q Can you recall more specifically what Mr. LeLandais told you?

A He said that we would get free stock, freely negotiable stock.

Q Did Mr. LeLandais tell you how he knew that?

A Well, the language of the proxy statement, in my judgment, makes this quite clear.

Q Did Mr. LeLandais tell you what made it quite clear to Mr. LeLandais?

A I think the same language and conversations which I think he had with the Atron people.

Q Did he specifically refer to conversations that he had with Atron people?

A I think he was in fairly frequent conversation with them.

Q Did he specifically tell you that he had spoken to Atron people?

A I would have to say, no.

Q Having read the prospectus that you received and based on information that you had prior to receiving the prospectus, can you tell me as best you can recollect what you opinion was at the time regarding the virtue or lack or virtue of this merger proposal?

A Well, my feeling was that this was an acceptable proposal from my standpoint as general partner of Coronet Fund, and my feeling was based on my conversations with Pierre and the language which appears on pages 5 and 9 of the proxy statement.

Paragraph 2 on page 5 reads: "The stock transfer books for Atron common shares will be closed after the effective date of the merger. Certificates for Atron common shares should be changed for Mohawk certificates prior to sale or disposition since Atron certificates will not constitute good delivery of Mohawk common stock on the New York Stock Exchange."

The paragraph on page 9 reads --

Q Which paragraph?

A First paragraph under Lights of dissident shareholders, and that paragraph reads: "Under section 301.40 and 301.44 of the Minnesota Business Corporation Act, shareholders of Atron who object to the merger with MDS-Atron and who comply with the provisions of those sections are entitled to receive payment of the fair cash value of their shares at the time the merger was authorized."

Q Did you read the entire proxy statement?

A I read the entire proxy statement, yes.

Q Could you tell me, based on the two paragraphs you have just read into the record, what those paragraphs meant to you?

A They meant to me that I would get free Mohawk

Data stock and that if I voted against the merger, I would receive cash payment.

Q Was this the only matter that was of any consequence to you in formulating your decision as to whether to vote in favor of the merger or not?

A Well, basically, when you make a venture capital investment, you hope at some point in time to convert that into a pretty good investment and this proxy statement indicated to me that I would either get free Mohawk Data stock or I would get cash.

Q You testified previously that you felt the company was progressing and that it had been a good investment. Did you still consider it to be a good investment based on this merger proposal?

A Yes.

Q Did you feel that Atron would be helped or hindered by a merger with MDS?

A I didn't really have an opinion on it because my feeling was that I wanted to convert the investment into cash.

Q You say converted into cash?

A Either negotiable securities or cash.

Q Was it your intention upon receiving the

freed stock that you thought you had received that you would immediately at that point sell it, thereby turning it into cash?

A Yes.

Q Was it your understanding that based on the paragraph on page 9 that you read that you would be entitled to get cash for your Atron securities if the merger was not approved by the shareholders?

MR. DEVINE: I object to the question. I don't think he said anything about getting cash if the merger was not approved by shareholders.

MR. PALTROWITZ: That's what I'm asking.

MR. DEVINE: He was referring to the portion of the proxy statement which deals with dissenting shareholders, not approval or disapproval of the merger. You can dissent from an approved merger.

Q I think you stated in your testimony that after having read this prospectus specifically, the two paragraphs that you quoted, that you

felt you would either get free stock in MDS or you would get cash for you Atron shares, is that correct, if you dissented?

A If I dissented and the merger went through.

Q As best as you can recollect, can you tell me whether or not you would have been in favor of the proposed merger had you known that you would not get free MDS stock?

A I would not have voted for the merger.

Q Your vote therefore was conditioned on your belief that you would get free stock?

A Absolutely.

MR. DEVINE: I wouldn't want any confusion as to whether it was a conditional vote. It was based on that.

Q Did you, in fact, vote your shares?

A Yes.

Q Did you, in fact, vote them in favor of the merger?

A Yes.

Q Did you receive any other documents of any kind other than the press release and the proxy statement concerning the proposed merger?

* * *

Plaintiffs' Exhibit 35

* * *

one else present. John French has an office in the Chrysler Building. I see him frequently. Lepow has an office somewhere else in town. I see him occasionally. These are personal friends of mine.

Q The conversations that you had with Mr. LeLandais, were they by telephone?

A Yes, probably because he's downtown and the other two people had offices uptown.

Q Do you recollect meeting with him?

A With Le'andais on this specific matter?

Q Yes.

A No.

Q Did you, in fact, receive shares of Mohawk Data Sciences Corporation in exchange for your Atron Corporation shares?

MR. DEVINE: You are distinguishing between certificates?

Q Certificates.

A Yes, but I think a more complete answer to that question is necessary.

MR. DEVINE: Give it.

A After the merger was announced, I placed an order with Bob Whalen who was with Funds'ock & Company. I told him that I owned 5,312 shares as a

result of the merger. I asked him whether I could tender to him the Atron certificates as delivery against 5,312 shares of Mohawk. I sent him the certificates and a copy of the proxy statement. He read the proxy statement. He sold the 5,312 shares of Mohawk and submitted the Atron certificates to Mohawk's transfer agent which I believe was Chemical Bank.

Several days later, he called me quite agitated and said that the Chemical Bank was not prepared to issue three Mohawk Data shares and that this presented an awkward problem because on the face of it, it appeared that I had sold restricted shares.

This development came as a great shock and surprise to me and several conversations took place from this point forward. I immediately got on the telephone to Mr. Ablove of Mohawk Data and asked him for an explanation of this situation which I felt was obviously a mistake. Ablove was very helpful, very understanding. He said that it was their original intention to issue free stock to all of the shareholders, and shortly before the merger, several of the shareholders who held restricted stock quieried Mohawk as to whether they could, in

fact, issue free stock.

Mohawk referred the matter to their legal counsel who felt that in view of the question which had been raised, it might be preferable for them to issue restricted stock and file a subsequent registration statement.

On that same day, I called Mr. Rifenberg of Atron in Minneapolis. He conveyed essentially the same information to me. I asked him why the Atron shareholders were not advised of this change in the plans and he said this had been in an unexpected last minute development. I conveyed the substance of these two telephone conversations to Mr. Whalen of Farnstock and in order to put his mind at ease, I asked him to talk directly to Mr. Ablove. He did so and received essentially the same information.

As a result of this, Farnstock decided to let the original sales transaction stand on their books and they suggested that I buy in 5,312 shares of Mohawk to cover the short position.

Q Mr. Ludt, I notice during your testimony you were referring to some notes there. Can you tell me what those notes are?

* * *

Plaintiffs' Exhibit 35

* * *

the date of the sale of those shares?

MR. DEVINE: Yes.

Q Directing your attention back to Defendant's Exhibit F, which is the proxy statement you received, I believe you testified that you had occasion to read the entire proxy statement?

A Yes.

Q Did you read the portions of the proxy statement that contain financial statements and related notes of Mohawk Data Sciences?

A Yes.

Q Can you tell me what it was in that proxy statement that led you to believe that certain statements concerning Mohawk's financial condition were false and misleading?

MR. DEVINE: I object to the question. I don't think there is any testimony that anything in there led him to believe that.

A There is nothing in this statement which led me to believe that the figures were misleading. The answer to your question is I accepted the data contained in this proxy statement as being correct.

Q I show you a copy of what is entitled,

Amended complaint in this proceeding and direct your attention specifically to paragraph 56 and ask you if you ever have seen that before.

(Handing document to witness.)

A I have seen this before.

Q Referring to --

A This was after the fact.

Q Referring you to subparagraph A through D, of paragraph 56, I ask you what information came to your attention that has led you to believe that the financial statements contained in the proxy statement were false and misleading as indicated in those subparagraphs?

A Well, Mohawk Data's own press release within a matter of days after the merger took place indicated that they were making a very basic change in their accounting policies and therefore, the figures in this proxy statement were going to change substantially.

Q That press release was subsequent to the effective date of the merger?

A Yes.

Q Do you believe that Mohawk Data Sciences or Atron Corporation was aware of that

information prior to the effective date of the merger?

A Aware of the fact thatthey were going to change their accounting policies?

Q Yes.

A They must have been.

Q Do you have any information other than your belief which indicates to you that anyone at Atron or Mohawk did, in fact, know, prior to the effective date of the merger, that there would be a change in their financial position?

A Well, it's a matter of simple business logic. I have been in key executive positions in three major companies and a company does not change its accounting policies materially without discussing the matter with its Board and with its auditors and this is simply not something which you do on the spur of the moment within four or five days after a merger has taken place.

Q Is that the only information that you have on which you base that conclusion?

A That's how it normally works. I'm President of a public company right now and we couldn't change our accounting policies on the spur of the moment

without some very detailed and exhaustive discussions with our auditors.

Q Directing your attention to subparagraph D of paragraph 56, can you tell me what information you had or have concerning releases concerning the charge made therein?

A What information I have?

Q Yes.

A The answer to the question is that this is not something which I personally have knowledge of, but information which came to our attention subsequently.

Q Who is the, "Our" you were referring to?

MR. DEVINE: Where?

Q You just testified the information which came to "Our attention subsequently". Who is the "Our"?

A Mine.

Q Yours personally?

A Yes.

Q How did it come to your attention?

A It says so right here in the Wall Street Journal press release.

Q What is the date of that press release?

MR. DEVINE: May 5, Wall Street Journal.

A It says: " Mr. Rifenburg said that in connection with the change in fiscal period, the company is reviewing various accounting matters including the establishment of reserves for idle model 1100 data recorders, accounts receivable and inventories and a change in the account, treatment for past sales of equipment to third party leasing companies.

Mohawk Data Sciences has stopped its sales to leasing companies which ran at about $1,100,000 a quarter for seven quarters. Mr. Wells said accounting adjustments will apply back through the nine months fiscal year. A significant thing he said is that the company has decided it will be better to account for sales to lessors as financings rather than sales. The adjustment would apply to previous fiscal years, too."

Now, this in my judgment, you don't make this fundamental change in your whole accounting policy within four days after a merger has concluded. This is obviously a study which had been underway within Mohawk Data for sometime.

MR. PALTROWITZ: I have no

Defendants' Exhibit C

CERTIFICATE

I, Dennis Stanga, do hereby certify that I am the duly qualified and elected Assistant Secretary of Atron Corporation, a Minnesota corporation, and that the resolutions set forth below were duly adopted by the affirmative vote of the holders of more than two-thirds of the outstanding common shares of Atron Corporation at a special meeting of the shareholders of Atron Corporation held on April 30, 1971 and that each of said resolutions is still in full force and effect:

> RESOLVED, That the Stockholders of Atron Corporation hereby adopt the Agreement and Plan of Merger providing for the merger of Atron Corporation with and into MDS-Atron, Inc. a wholly-owned subsidiary of Mohawk Data Sciences Corp. in the form presented to this meeting.
>
> FURTHER RESOLVED, That the President or any Vice-President and the Secretary or Assistant Secretary is authorized and directed to sign appropriate Articles of Merger to effect this transaction and to have such Articles of Merger filed with the Secretaries of the State of Minnesota and the State of Delaware and to take such further actions as they may deem necessary or advisable to consummate the transactions contemplated by the Agreement and Plan of Merger.

IN WITNESS WHEREOF, I have set my hand and the seal of Atron Corporation this 30th day of April, 1971.

ATRON CORPORATION

By Dennis C. Stanga
Assistant Secretary

Defendants' Exhibit C

ATRON CORPORATION

OATH OF INSPECTORS OF ELECTION

STATE OF MINNESOTA)
)SS
COUNTY OF RAMSEY)

The undersigned do hereby swear to, faithfully and to the best of their ability, execute and perform the duties of inspectors of election at the Special Meeting of Atron Corporation, to be held at 2525 East 78th Street, Bloomington, Minnesota on April 30, 1971.

Michael W. Branch

Mary Thiss

Sworn to before me this
30th day of April, 1971

Barbara M. Nowak

Notary Public, Ramsey County,
Minnesota.
My Commission Expires: 1-29-76

(Notarial Seal)

BARBARA M. NOWAK,
Notary Public, Ramsey County, Minn.
My Commission Expires Jan. 29, 1976

Defendants' Exhibit C

REPORT OF INSPECTORS OF ELECTION

The undersigned do hereby swear that they have executed and performed to the best of their ability all the duties of inspectors of election at the Special Meeting of Atron Corporation held at 2525 East 78th Street, Bloomington, Minnesota, on April 30, 1971

The undersigned further swear that to the best of their knowledge the following is a true and accurate account of the votes cast for or against the adoption of an Agreement and Plan of Merger for the merger of Atron Corporation into MDS-Atron, Inc., as more fully explained in the Proxy Statement.

FOR 2,241,751 AGAINST 31,100

Michael W. Brumm

Mary Ilene

Dated: April 30, 1971

LISTING APPLICATION TO NEW YORK STOCK EXCHANGE, INC.

Defendants' Exhibit D

B-41
April 29, 1971

MOHAWK DATA SCIENCES CORP.

273,965 ADDITIONAL SHARES OF COMMON STOCK

223,777 SHARES TO BE ISSUED IN CONNECTION WITH THE MERGER OF ATRON CORPORATION

and

50,188 SHARES TO BE RESERVED FOR ISSUANCE UPON EXERCISE OF STOCK OPTIONS AND WARRANTS ASSUMED IN CONNECTION WITH THE MERGER

Number of Shares of Common Stock Issued and Outstanding as of April 16, 1971:	Number of Stockholders of Record as of March 26, 1971:
5,484,131	8,589

DESCRIPTION OF TRANSACTION

Pursuant to an Agreement and Plan of Merger dated as of March 12, 1971 (the "Agreement of Merger"), Atron Corporation ("Atron") will be merged into MDS - Atron, Inc. ("MDS - Atron"), a wholly - owned subsidiary of Mohawk Data Sciences Corp. (the "Company").

At the effective date of the merger, which is expected to be on or about April 30, 1971, each Common Share of Atron issued and outstanding (exclusive of Common Shares of Atron held by the Company) will be converted into ¼ of a share of Common Stock of the Company, par value 10¢ per share. No fractional shares will be issued and each Atron shareholder who would otherwise be entitled to fractional shares will receive cash in lieu thereof.

In accordance with the Agreement of Merger, all qualified stock options to purchase Atron Common Shares outstanding at the effective date will be assumed by the Company or MDS-Atron, as contemplated by Section 425 (a) of the Internal Revenue Code of 1954, as amended, and will represent options (the "Options") to purchase shares of the Company's Common Stock. The Options are "qualified" stock options, provide for the issuance of shares of Common Stock of the Company upon payment of the option price in full in cash, are non-transferable otherwise than by will or the laws of descent and distribution, and contain appropriate anti-dilution adjustments in the event of certain corporate actions by the Company. On March 26, 1971 options to purchase 30,752 Common Shares of Atron were outstanding, and an aggregate of 7,688 shares of Common Stock of the Company may become issuable upon exercise of the Options.

In addition, the Company or MDS-Atron will assume the obligations of Atron with respect to outstanding warrants to purchase 170,000 Common Shares of Atron (the "Warrants"), pursuant to which the Company may be obligated to issue an aggregate of 42,500 shares of Common Stock.

Reference is made to Atron's Proxy Statement dated April 16, 1971, attached hereto and made a part hereof, for information concerning the proposed merger and a description of the history, business and properties and financial statements of Atron.

The Company has made an examination of the business, assets, financial condition and management of Atron, and deems the merger to be in the best interests of the Company and its stockholders. To the Company's knowledge, no officer or director of the Company has any direct or indirect beneficial interest in Atron.

The merger will be treated for accounting purposes as a "pooling-of-interests." This accounting treatment has been reviewed by S. D. Leidesdorf & Co., the Company's independent public accountants, and approved by them as being in accordance with generally accepted accounting principles.

RECENT DEVELOPMENTS

There have been no important developments affecting the Company or its business, notice of which has not already been released to the public.

AUTHORITY FOR ISSUANCE

At a meeting held on March 2, 1971 the Board of Directors of the Company approved and authorized the Agreement of Merger and, in connection therewith, the merger of Atron into MDS-Atron, and authorized the issuance of the shares of Common Stock issuable upon consummation of such merger and upon the exercise of the Options and the Warrants. No further corporate action is required by the Company. The shareholders of Atron will vote upon the merger at a special meeting to be held on April 30, 1971.

OPINION OF COUNSEL

Messrs. Beekman & Bogue, Five Hanover Square, New York, New York 10004, counsel for the Company, have filed their opinion with the New York Stock Exchange, Inc. in support of this application to the effect that (i) the shares of Common Stock of the Company issuable upon consummation of the merger of Atron or which may be issued upon the exercise of the Options or the Warrants have been duly authorized and, when issued in connection with such merger or upon such exercise (and assuming the Company receives a consideration equal to or greater than the par value thereof upon due exercise of the Options or Warrants), will be validly issued, fully paid and non-assessable, and no personal liability will attach to the ownership thereof, except insofar as liability may be imposed under Section 630 of the Business Corporation Law of the State of New York (the state under the laws of which the Company is incorporated and in which its principal executive offices are located); and (ii) registration under the Securities Act of 1933, as amended, of the shares of Common Stock of the Company to be issued and delivered upon consummation of the merger is not required since no sale of said shares will be involved within the meaning of said Act by reason of Rule 133 of the General Rules and Regulations thereunder. The Company has undertaken to furnish to the New York Stock Exchange, Inc., prior to the issuance of any shares of Common Stock which become issuable upon the exercise of the Options or Warrants, an opinion of counsel with respect to the existence of an effective Registration Statement under said Act covering such shares or the availability of an exemption from registration thereunder in connection with such issuance, and to notify the New York Stock Exchange, Inc. of the issuance of such shares.

MOHAWK DATA SCIENCES CORP.

WAYNE WELLS
Executive Vice President

The New York Stock Exchange, Inc. hereby authorizes the listing upon official notice of issuance of:

223,777 additional shares of Common Stock, par value 10¢ per share, of Mohawk Data Sciences Corp. upon effectiveness of the merger of Atron Corporation into MDS-Atron, Inc., and

7,688 additional shares of Common Stock issuable upon exercise of qualified options granted by Atron Corporation and assumed in connection with such merger, and

42,500 additional shares of Common Stock issuable upon exercise of Warrants granted by Atron Corporation and assumed in connection with such merger,

all as hereinabove set forth, making a total of 7,018,655 shares of Common Stock authorized for listing.

PHILLIP L. WEST, *Director*
Department of Stock List

ROBERT W. HAACK, *President*
New York Stock Exchange, Inc.

Defendants' Exhibit D

ATRON CORPORATION

1256 Trapp Road

St. Paul, Minnesota 55121

April 16, 1971

To the Shareholders:

A special meeting of shareholders of Atron Corporation will be held on April 30, 1971 to vote upon a proposed merger of Atron into a wholly-owned subsidiary of Mohawk Data Sciences Corp.

The management of Atron has been carefully studying the present position and future requirements of Atron. Management believes that the future growth of Atron will require substantial expansion of its marketing in the end user market. This can be achieved most expeditiously and directly by merging with Mohawk, a major manufacturer of a broad range of computer peripheral equipment. Mohawk and Atron have had close business relations since the early days of Atron.

Management has concluded that the proposed merger is in the best interests of Atron and its shareholders and recommends that shareholders approve the merger. The terms of the merger were arrived at through negotiations among officers of Atron and Mohawk and are believed to be fair and equitable to both parties.

I urge each shareholder to sign, date and return the enclosed proxy and to vote for the proposed merger.

FAILURE TO SIGN AND RETURN YOUR PROXY, UNLESS YOU ARE TO BE PRESENT AT THE MEETING, IS EQUIVALENT TO A VOTE AGAINST THE PROPOSED MERGER. IT IS THEREFORE IMPORTANT THAT YOU COMPLETE AND RETURN YOUR PROXY PROMPTLY.

Very truly yours,

J. S. Stoutenburgh

Joseph S. Stoutenburgh
President

Defendants' Exhibit D

ATRON CORPORATION

1256 Trapp Road
St. Paul, Minnesota 55121

Notice of Special Meeting of Shareholders to be held April 30, 1971

To the Shareholders of Atron Corporation:

A special meeting of the shareholders of Atron Corporation will be held on Friday, April 30, 1971 at 10:00 o'clock a.m. at the Sheraton Motor Inn, 2525 East 78th Street, Bloomington, Minnesota 55420 to consider and vote upon:

1. Adoption of an Agreement and Plan of Merger providing for the merger of Atron Corporation with and into MDS-Atron, Inc., a wholly-owned subsidiary of Mohawk Data Sciences Corp., as more fully described in the accompanying proxy statement.

2. Such other business as may properly come before the meeting.

The Board of Directors has fixed March 26, 1971 at the close of business as the record date for determining shareholders entitled to notice of and to vote at the meeting.

By Order of the Board of Directors

April 16, 1971

George P. Flannery, Secretary

IMPORTANT

THE AFFIRMATIVE VOTE OF THE HOLDERS OF AT LEAST TWO-THIRDS OF THE OUTSTANDING SHARES OF ATRON CORPORATION IS REQUIRED FOR ADOPTION OF THE AGREEMENT AND PLAN OF MERGER. IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING REGARDLESS OF THE NUMBER OF SHARES YOU MAY HOLD. PLEASE FILL IN, SIGN, DATE AND RETURN PROMPTLY THE ENCLOSED PROXY IN THE ENCLOSED ENVELOPE.

Defendants' Exhibit D

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PROXY STATEMENT

ATRON CORPORATION

Special Meeting of Shareholders — April 30, 1971

PURPOSE OF THE MEETING

The accompanying proxy is solicited by the management of Atron Corporation ("Atron") for use at the special meeting of shareholders to be held on April 30, 1971. The special meeting has been called by the Board of Directors of Atron to consider and vote upon the adoption of an Agreement and Plan of Merger dated as of March 12, 1971 (the "Agreement of Merger") providing for the merger of Atron into MDS-Atron, Inc. ("MDS-Atron"), a wholly-owned subsidiary of Mohawk Data Sciences Corp. ("Mohawk"). Atron is a Minnesota corporation, MDS-Atron a Delaware corporation and Mohawk a New York corporation. The proposed merger will be effected under the Minnesota Business Corporation Act and the Delaware General Corporation Law. The material provisions of the Agreement of Merger are summarized below.

Adoption of the Agreement of Merger will require the affirmative vote of the holders of two-thirds of the outstanding Common Shares of Atron.

The information contained in this proxy statement concerning Mohawk, MDS-Atron and Colorado Instruments, Inc. ("Colorado") has been furnished by Mohawk. Reference is made to "Business and Properties of Mohawk — Proposed Merger of Colorado Instruments, Inc."

SOLICITATION OF PROXIES

The person signing the accompanying proxy may revoke it at any time before its exercise. Each valid proxy received will be voted at the meeting unless revoked, and if a choice is specified in the form of proxy it will be voted in accordance with such specification. If no choice is specified, such proxy will be voted in favor of the merger. A shareholder's right to revoke his proxy is not limited by or subject to compliance with any specified formal procedure.

Shareholders of record at the close of business on March 26, 1971 will be entitled to vote at the meeting. Atron then had 1,090,110 Common Shares outstanding, each of which entitles the holder to one vote.

The only person holding of record or known to Atron to own beneficially more than 10% of its outstanding Common Shares is Mohawk, which on March 26, 1971 owned of record and beneficially 195,000 Common Shares or 17.8% of the outstanding shares. An additional 16,000 Common Shares (1.5% of the outstanding shares) were held at such date by Marine Midland Bank-Western, as Trustee of the Mohawk Employees' Pension Plan Trust. The officers of Atron held of record and beneficially on such date an aggregate of 151,072 Common Shares (13.9% of the outstanding shares). All of such shareholders have indicated their intent to vote their shares in favor of the adoption of the Agreement of Merger.

The cost of this solicitation of proxies will be borne by Atron. In addition to soliciting proxies by mail, officers and regular employees of Atron may solicit proxies by mail, telephone or in person, without additional compensation. Atron may request brokerage houses, nominees, custodians and fiduciaries to forward soliciting material to the beneficial owners of Atron Common Shares and will reimburse such persons for their expenses so incurred. Also, Atron may engage professional proxy solicitors to solicit proxies. If it does so, the estimated cost will be $5,000.

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THE AGREEMENT OF MERGER

The following is a summary of portions of the Agreement of Merger. A copy of the complete Agreement of Merger will be furnished by Atron to shareholders upon request to Atron.

Merger of Atron into MDS-Atron

On the effective date of the merger, Atron will merge into MDS-Atron, a newly formed subsidiary of Mohawk, which will continue as the surviving corporation under the laws of the State of Delaware, and the corporate existence of Atron will thereupon cease. All properties, assets, business, rights, and interests of Atron and MDS-Atron will be vested in MDS-Atron and all debts, liabilities, obligations and duties of Atron and of MDS-Atron will become debts, liabilities, obligations and duties of MDS-Atron. The effective date of the merger will be the later of the date of filing of the Agreement of Merger with the Secretary of State of Delaware and the date the Secretary of State of Minnesota issues a certificate of merger.

After the merger, the business theretofore conducted by Atron will be conducted by MDS-Atron as a wholly-owned subsidiary of Mohawk. The officers and directors of MDS-Atron upon the merger becoming effective will be the following:

Name	Office
Richard P. Rifenburgh	Chairman of the Board and Director
Joseph S. Stoutenburgh	President and Director
Mark M. Koschmann	Vice President and Director
Dennis C. Stanga	Vice President
Robert J. Gountanis	Vice President
Finley E. McLeod	Vice President
Herman Osofsky	Vice President
Wayne Wells	Treasurer and Director
Philip J. Ablove	Secretary
Richard L. Karpen	Director

All of the foregoing persons listed as officers of MDS-Atron, except Messrs. Rifenburgh, Wells and Ablove, hold the same offices with Atron. Mr. Rifenburgh is President and a director of Mohawk, Mr. Wells is Executive Vice President, Treasurer and a director of Mohawk, and Mr. Ablove is Vice President and Secretary of Mohawk. Mr. Karpen, who is a director of Atron, is Executive Vice President and a director of Mohawk.

Exchange of Stock

Each Common Share of Atron, par value 20¢ per share, outstanding on the effective date of the merger (other than shares owned by Mohawk or by dissenting shareholders who have demanded payment for their shares) will be exchanged for and converted into one-fourth of a share of Common Stock of Mohawk, par value 10¢ per share. See "Reasons for Merger and Recommendations of Directors" below for information on the determination of the exchange and conversion ratio. No fractional shares will be issued; in lieu thereof shareholders will be paid, without interest, an amount equal to the value of the fractional share based upon the closing price of Mohawk Common Stock on the New York Stock Exchange on the effective date of the merger. The Common Shares of Atron owned by Mohawk will be cancelled and no shares of Mohawk Common Stock will be issued to Mohawk with respect to such shares.

Shares of capital stock of Mohawk and of MDS-Atron outstanding on the effective date of the merger will remain unchanged by the merger.

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The conversion of shares of Atron into shares of Mohawk as set forth above will occur automatically and without any further action on the part of the Atron shareholders. Each certificate representing Atron Common Shares outstanding on the effective date of the merger shall thereafter be deemed to represent the number of whole shares of Common Stock of Mohawk into which the Atron Common Shares have been converted.

The stock transfer books for Atron Common Shares will be closed after the effective date of the merger. Certificates for Atron Common Shares should be exchanged for Mohawk certificates prior to sale or disposition since Atron certificates will not constitute good delivery of Mohawk Common Stock on the New York Stock Exchange.

Atron Warrants and Options

After the effective date of the merger, each qualified stock option and warrant to purchase Common Shares of Atron then issued and outstanding shall thereafter entitle the holder of such option or warrant upon exercise to receive one-fourth share of Common Stock of Mohawk for each full Common Share of Atron covered thereby (with fractional shares not to be issued and any payment for such fraction to be refunded) and the exercise price per share of Mohawk Common Stock shall be four times the exercise price per Atron Common Share contained in the option or warrant. The antidilution adjustments in the option or warrant agreements will, after the merger, apply to certain corporate actions by Mohawk. See "Capital Structure" and Notes E and F of the Notes to Atron's Financial Statements for further information with respect to such options and warrants.

Conditions

The merger will be terminated and abandoned if (1) the merger is not approved by the holders of two-thirds of the outstanding Common Shares of Atron; (2) the Mohawk Common Stock to be issued in connection with the transactions contemplated by the Agreement of Merger is not listed on the New York Stock Exchange subject to official notice of issuance; (3) Atron does not receive a ruling from the Internal Revenue Service or an opinion of counsel as described under "Federal Tax Status of Merger"; (4) an order of a court or administrative agency shall be in effect restraining the consummation of the merger; or (5) the merger is not completed by July 31, 1971 or any later date as to which the parties may agree.

Either Atron or Mohawk may terminate the merger prior to its consummation if (1) the other party shall suffer any loss by fire, flood, tornado, riot, accident or other calamity, whether or not insured, which shall substantially and adversely affect the value of its assets or business; or (2) any representation made by the other party in the Agreement of Merger shall prove to be substantially untrue. Atron may terminate the merger prior to its consummation if it does not receive from counsel to and officers of Mohawk and MDS-Atron favorable opinions, letters or certificates with respect to the business, operations, financial conditions and legal status of Mohawk and MDS-Atron, the validity of the merger proceedings and certain other matters. Mohawk may terminate the merger prior to its consummation if (1) the holders of more than 10% of the outstanding Common Shares of Atron object to the merger and demand payment in cash for their shares; (2) Mohawk and MDS-Atron do not receive from counsel to and officers of Atron favorable opinions, letters or certificates with respect to the business, operations, financial condition and legal status of Atron, the validity of the merger proceedings and certain other matters; or (3) Mohawk does not receive commitments from certain shareholders of Atron with respect to the disposition of the shares of Mohawk Common Stock to be received by such persons in connection with the merger.

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REASONS FOR MERGER AND RECOMMENDATIONS OF DIRECTORS

The directors of Atron have approved the proposed merger and the management of Atron recommends that shareholders vote in favor of the merger as being in the best interests of Atron and its shareholders.

The management of Atron believes that the proposed merger will substantially benefit the distribution of Atron products, particularly to end users. To date, over 90% of Atron sales have consisted of sales of small computers and related equipment to Mohawk, which produces and markets various systems which include the Atron computer and various peripheral products manufactured by Mohawk.

In 1970, the computer industry, along with the general United States economy, suffered a significant decline. As a result sales and profit margins were reduced and manufacturers in the field in which Atron operates tended to manufacture higher proportions of the systems sold or leased by them. This served to reduce the original equipment market available to a company like Atron which produces principally one component of a system. Consequently, Atron management believes that its future growth in the small computer field would require extension into the end user market. Management also believes that successful competition in the end user market by Atron will require an expanded sales and service organization, facilities for the manufacture of a higher proportion of the components included in its systems, and the financial ability to offer leasing of equipment to customers. Atron has recently designed and offered systems of various capacities, which include the Atron small computer, but the other peripheral devices of the systems are purchased from others, principally Mohawk. Atron has developed only a limited sales force and relies primarily on Mohawk, under a contractual arrangement, for equipment maintenance.

The end user market is highly competitive and more companies are entering the field. Atron management believes that the proposed merger will enhance the position of the combined businesses in the end user market for several reasons. A high percentage of the components of the Mohawk systems will then be manufactured by the combined businesses permitting more competitive pricing. Furthermore, Mohawk has an established marketing and service organization and has the experience and financial capabilities to offer leasing of equipment to customers.

The terms of the proposed merger were arrived at through negotiations between officers of Atron and Mohawk, with consideration being given to the current and prospective earning power of both companies, their financial conditions and growth possibilities, the relative market value of their capital shares, the manufacturing rights of Mohawk described under "Business and Properties of Atron", and other matters. Management considers the merger to be a sound and constructive step in the interests of Atron shareholders and recommends that shareholders vote in favor of the merger.

Defendants' Exhibit D

CERTAIN DATA WITH RESPECT TO THE SECURITIES OF ATRON AND MOHAWK

The following data should be read in conjunction with the financial statements and the notes thereto appearing elsewhere in this proxy statement and are set forth solely as a summary record of results in the past which should not be taken as necessarily indicative of future prospects or currently realizable values.

Comparative Market Prices

There was no public market for the Common Shares of Atron prior to a public offering which was commenced on January 14, 1970. The public offering was of units consisting of two Common Shares and a warrant to purchase one Common Share at an exercise price of $17.00 per share. The public offering price of the units was $30.00 per unit. The Common Stock of Mohawk is listed on the New York Stock Exchange; from October 1967 to February 1970, its Common Stock was listed on the American Stock Exchange. The following table sets forth for the periods indicated the high and low bid prices of Atron Common Shares in the over-the-counter market (which have been furnished by the National Quotation Bureau, Incorporated) which represent inter-dealer quotations without retail markup, markdown or commission and do not necessarily represent actual transactions, and the high and low sales prices of Mohawk Common Stock on the American Stock Exchange through February 13, 1970 and on the New York Stock Exchange thereafter.

	Atron Bid Prices		Mohawk Sales Prices	
	High	Low	High	Low
1969:			ASE	
1st quarter	—	—	$79	$59¾
2nd quarter	—	—	85½	66¼
3rd quarter	—	—	89⅛	69
4th quarter	—	—	81¼	68
1970:				
1st quarter (since Jan. 14 for Atron)	$21¾	$ 9	87 (ASE)	68½ (ASE)
			79¾ (NYSE)	55½ (NYSE)
2nd quarter	9¼	3⅜	63½	21½
3rd quarter	5⅞	2	41½	18⅛
4th quarter	8⅝	5	40⅝	23½
1971:				
1st quarter	8½	5½	37⅛	23⅛
2nd quarter (to April 14)	9¼	7⅝	40⅝	35¾

On April 14, 1971, the high reported bid price of Atron Common Shares in the over-the-counter market was $9.13 and the reported last sale price of Mohawk Common Stock on the New York Stock Exchange was $40.13. Agreement in principle on the merger was reached and announced to the public on January 29, 1971. On the preceding day the average of the high and low reported bid prices of Atron Common Shares in the over-the-counter market was $7.75 and the reported last sale price of Mohawk Common Stock on the New York Stock Exchange was $29.00.

Defendants' Exhibit D

Comparative Net Income

The net income (loss) per Common Share of Atron and per share and per one quarter share of Common Stock of Mohawk as well as the pro forma net income of Atron and Mohawk combined and Atron, Mohawk and Colorado combined per one quarter share of Mohawk Common Stock for the periods indicated are set forth below.

	Atron per Common Share	Mohawk per share of Common Stock	Mohawk per ¼ share of Common Stock	Mohawk and Atron pro forma combined per ¼ share of Mohawk Common Stock	Mohawk, Atron and Colorado pro forma combined per ¼ share of Mohawk Common Stock
1966—Income (loss) before extraordinary items	—	($1.07)	($ .27)	—	($ .26)
—Net income (loss)	—	(1.11)	(.28)	—	(.27)
1967—Income (loss) before extraordinary items	—	.14	.03	—	.03
—Net income (loss)	—	.28	.07	—	.07
1968—Income (loss) before extraordinary items	—	.39	.10	—	.09
—Net income (loss)	—	.58	.14	—	.14
1969—Income (loss) before extraordinary items	—	1.15	.29	$ .26	.25
—Net income (loss)	—	1.22	.30	.27	.27
1970—Net income (loss)	($1.10)	1.52	.38	.32	.30
Three months ended—December 31, 1970 for Atron, October 31, 1970 for Mohawk, August 31, 1970 for Colorado —Net income (loss)	(.13)	.23	.06	.05	.04

Comparative Book Values

The book value per Common Share of Atron and per share and per one quarter share of Common Stock of Mohawk at the end of their respective fiscal years and the pro forma combined book value of Atron and Mohawk and of Atron, Mohawk and Colorado per one quarter share of Mohawk Common Stock as of their respective fiscal year ends were as follows:

	Book Value
Atron, per Common Share (at September 30, 1970)	$3.95
Mohawk, per share of Common Stock (at July 31, 1970)	8.49
Mohawk, per ¼ share of Common Stock (at July 31, 1970)	2.12
Atron and Mohawk pro forma combined, per ¼ share of Mohawk Common Stock	2.20
Atron, Mohawk and Colorado pro forma combined, per ¼ share of Mohawk Common Stock	2.21

Dividends

Neither Atron nor Mohawk has paid any dividends on its capital stock.

Defendants' Exhibit D

FEDERAL TAX STATUS OF MERGER

Atron has requested a ruling from the Internal Revenue Service to the effect that no gain or loss shall be recognized by Atron as a result of the merger, and that, as to Atron shareholders, (i) the consummation of the merger will result in neither gain nor loss for Federal income tax purposes except in connection with any moneys received in lieu of fractional shares; (ii) the basis of the Common Stock of Mohawk received will be the same as the basis of Atron Common Shares converted, except that where cash is received in lieu of fractional shares, such basis will be reduced by the excess of the cash received over the taxable gain; and (iii) the holding period for the Common Stock of Mohawk received will include the holding period of the Atron shares converted, provided that the shares surrendered constituted a capital asset in the hands of the Atron shareholders. In the event that no such ruling shall have been issued by the time of the special meeting of Atron's shareholders but Messrs. Dorsey, Marquart, Windhorst, West & Halladay, counsel for Atron, shall have received reasonable assurance from the staff of the Internal Revenue Service that a favorable ruling will be issued in due course, then Atron will receive an opinion of such counsel to the foregoing effect.

In the opinion of such counsel, gain or loss will be recognized by dissenting shareholders of Atron who demand and receive payment for their shares.

RIGHTS OF DISSENTING SHAREHOLDERS

Under Sections 301.40 and 301.44 of the Minnesota Business Corporation Act, shareholders of Atron who object to the merger with MDS-Atron and who comply with the provisions of those Sections are entitled to receive payment of the fair cash value of their shares at the time the merger was authorized.

In order to receive such payment, a shareholder must, at any time prior to the date of the meeting, file a written objection to the merger in the office of the Secretary or President of Atron and demand payment for his shares. Failure to vote against the merger will not constitute a waiver of the right to such payment; however, a vote against the merger will not satisfy the requirement of written objection. The demand for payment will be of no effect if the shareholder votes in favor of the merger, or at any time consents thereto in writing, or if the merger is not in fact effected. Shareholders who do not object in writing and demand payment for their shares pursuant to the provisions of the Minnesota Business Corporation Act shall be deemed to have assented to the merger on the terms specified in the Agreement of Merger.

Sections 301.40 and 301.44 are set forth in full as Exhibit I to this proxy statement. In the event dissenting shareholders and MDS-Atron do not agree on the value of the Atron shares, the statute provides for an appraisal proceeding. The appraisers' expenses and fees, together with other expenses, not including counsel fees, will be paid by MDS-Atron except that all or any part of such costs and expenses may be assessed against any or all of the demanding shareholders if a majority of the appraisers in good faith find that such demanding shareholders refused to accept an offer to purchase and such refusal was arbitrary, vexatious or otherwise not in good faith.

Defendants' Exhibit D

DESCRIPTION OF COMMON STOCK OF MOHAWK

The holders of shares of Mohawk's Common Stock are entitled to one vote for each share held, have equal rights to dividends from funds legally available therefor when, as and if declared by the Board of Directors, and are entitled, upon liquidation, to share ratably in all assets legally available for distribution to stockholders. The Common Stock is not redeemable and has no preemptive or conversion rights. All outstanding shares of Common Stock are fully paid and non-assessable by Mohawk.

The Indenture dated as of December 15, 1969 between Mohawk and Chemical Bank, as Trustee, under which Mohawk issued $30,000,000 principal amount of 5½% Convertible Subordinated Debentures due December 15, 1994, restricts the payment of dividends (other than stock dividends) and the purchase of any class of capital stock of Mohawk to an amount not exceeding the sum of (a) Consolidated Net Earnings (as defined in said Indenture) accrued subsequent to July 31, 1969, (b) the aggregate net proceeds received by Mohawk from sales of its capital stock subsequent to July 31, 1969 (but only to the extent that such net proceeds are equal to or more than the aggregate cost of all shares of capital stock of Mohawk acquired or redeemed subsequent to July 31, 1969), and (c) $7,500,000. No cash dividends have been declared or paid to date, and Mohawk does not intend to pay cash dividends on its Common Stock in the foreseeable future.

A class of Preferred Stock, issuable in series from time to time by action of the Board of Directors, was authorized by the stockholders in 1968. All shares of such Preferred Stock, regardless of series, will be entitled to preference over shares of the Common Stock in the distribution of dividends or assets or both. At the date hereof no such series of Preferred Stock has been created.

The corporate laws of Minnesota and New York are similar in their main provisions with respect to the important rights of shareholders, such as the right to elect directors, to receive dividends, to share in the distribution of assets on liquidation, etc. Under the laws of both states, the rights of shareholders may be modified in the charter documents in many instances. Among the statutory differences in the laws of the two states are the following: Under Minnesota law only, shareholders are expressly made liable for dividends unlawfully paid to them. Under Minnesota law the right of a shareholder to object to corporate action and demand cash payment for his shares extends to amendments to the charter substantially changing the purposes of the corporation or extending its duration.

Defendants' Exhibit D

CAPITAL STRUCTURE

The existing capitalizations of Mohawk, Atron and Colorado at February 28, 1971, and as adjusted, pro forma, to give effect to both proposed mergers, are as follows:

	Mohawk	Atron	Colorado	Pro Forma
Long Term Debt (including current portions):				
6¼% to 9¼% Notes to banks payable to 1976(1)	$18,314,000			$18,314,000
2¾%-7½% Mortgages(2)	1,012,000		$ 82,000	1,094,000
Sundry Indebtedness(3).....	5,443,000		459,000	5,902,000
Convertible Debentures(4):				
5½% Convertible Subordinated Debentures due December 15, 1994	30,000,000			30,000,000
5½% Subordinated Guaranteed Debentures due 1989	15,000,000			15,000,000
Capital Stock:				
Common Shares, 20¢ par value (5,000,000 shares authorized)		1,089,360 shs. (5)		
Common Stock, $1 par value (1,000,000 shares authorized)			570,660 shs. (6)	
Common Stock, 10¢ par value (15,000,000 shares authorized)	5,484,061 shs. (7)			5,789,173 shs. (8)

(1) Such notes were issued under credit agreements entered into as of February 26, 1971 providing for the granting of credit in the maximum amount of $50,000,000, all of which is available until 1974 and $23,000,000 of which is available until 1976.

(2) Consists of various mortgages payable to 1988 at interest rates as noted.

(3) Consists of short-term borrowings at varying interest rates.

(4) The Convertible Subordinated Debentures due December 15, 1994 and the Subordinated Guaranteed Debentures due 1989 are convertible into Common Stock of Mohawk at $85.50 and $82.00 per share, respectively. The Subordinated Guaranteed Debentures were issued by a wholly-owned international finance subsidiary of Mohawk and the payment of the principal, premium, if any, and interest on such Debentures is guaranteed (on a subordinated basis) by Mohawk. The indenture under which the Convertible Subordinated Debentures were issued provides for annual sinking fund payments, beginning in 1979, of 5% of the principal amount thereof outstanding on December 15, 1978.

(5) In addition, 170,000 Common Shares were reserved for issuance upon the exercise of warrants and 71,640 shares were reserved for issuance upon the exercise of employee qualified stock options granted or which may be granted.

(6) In addition, 10,000 shares of Common Stock were reserved for issuance upon the exercise of outstanding warrants and 100,000 shares were reserved for issuance upon the exercise of employee qualified stock options granted or which may be granted (options covering 66,150 shares were outstanding at February 28, 1971).

(7) In addition, 401,666 shares of Common Stock were reserved for issuance upon the exercise of employee qualified, restricted and non-qualified stock options granted or which may be granted; 148,560 shares were reserved for issuance in connection with Mohawk's Stock Purchase Plan; and 533,805 shares were reserved for issuance upon the conversion of the Debentures referred to in Note 4 above. An additional 51,215 shares and 10,878 shares will be reserved for issuance upon exercise of the options and warrants referred to in Notes 5 and 6 above.

(8) The Agreement of Merger contemplates the issuance of one share of Common Stock of Mohawk for each four Common Shares of Atron. No shares will be issued to Mohawk as a shareholder of Atron. This calculation assumes that no fractional shares result from the conversion of Atron Common Shares in the merger, that no shareholders of Atron exercise their appraisal rights, that no additional shares are issued upon the exercise of warrants or options, but assumes the issuance of 81,522 shares upon consummation of the Colorado merger.

Note: Reference is made to Note D of Notes to Atron's Financial Statements and to Note J of Notes to Mohawk's Financial Statements for information regarding long term lease commitments.

Defendants' Exhibit D

ATRON CORPORATION
STATEMENT OF OPERATIONS AND DEFICIT

The following statement presents the results of operations of Atron Corporation for the year ended September 30, 1970. The statement has been examined by Hurdman and Cranstoun, Penney & Co., independent public accountants, as set forth in their report (as qualified) included elsewhere in this proxy statement. The statement should be read in conjunction with the other financial statements of Atron Corporation and notes thereto included elsewhere in this proxy statement.

Year Ended September 30, 1970

Sales (a)		$ 812,466
Service and rental income (a)		83,017
		895,483
Cost of sales	$608,606	
Cost of service and rental income	70,985	679,591
Gross profit		215,892
Expenses:		
Product development	624,092	
Selling, general and administrative	729,136	
Amortization of developmental costs (b)	161,609	1,514,837
Operating loss		(1,298,945)
Other income:		
Interest	210,167	
Miscellaneous	1,474	211,641
Net loss for the year and deficit		($1,087,304)
Net loss per common share (c)		($1.10)

NOTES:

(a) PRINCIPAL CUSTOMER:
Sales and services to the Company's principal customer, Mohawk Data Sciences Corp., totalled $834,539 for the year ended September 30, 1970.

(b) UNRECOVERED PROMOTIONAL AND DEVELOPMENTAL COSTS:
The Company was incorporated in Minnesota on November 27, 1968.
To September 30, 1969, the Company engaged in arranging for facilities, developing operating and administrative procedures, and developing its initial products. These costs totalled $484,828 (net of $24,958 in revenues during the preoperating stage).
The Company commenced amortization of these costs on October 1, 1969, when regular production began. The Company intends (subject to revision, if necessary) to amortize fully these costs over a period of 36 months. Since October 1, 1969, the Company has charged all additional product development to operations.

(c) NET LOSS PER COMMON SHARE:
Net loss per common share has been computed on the basis of average shares outstanding during the year. Exercise of options and warrants has not been assumed since such assumption would result in a lesser loss per share.

For the three months ended December 31, 1970, net sales were $613,686, service income was $23,858, and the net loss was $146,155, equal to $.13 loss per share. For the comparable three-month period ended December 31, 1969 net sales were $77,488, service income was $42,819, and the net loss was $247,944, equal to $.32 loss per share. Such data are unaudited and, in the opinion of Atron, reflect all adjustments (which include only normal recurring accruals) necessary for a fair presentation of the results shown for such periods. The increase in net sales for the fiscal quarter ended December 31, 1970 from the comparable quarter of the prior fiscal year was primarily due to an increase in shipments to Mohawk which constituted in excess of 90% of sales and service revenues for such quarter.

Defendants' Exhibit D

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME

The following statement presents the consolidated results of operations of Mohawk Data Sciences Corp. ("Mohawk") and subsidiaries, including companies acquired on a pooling-of-interests basis, see Note (a) below. The statement, to the extent it relates to the three years ended July 31, 1970, has been examined by S. D. Leidesdorf & Co., independent public accountants, as set forth in their report included elsewhere in this proxy statement. The statement should be read in conjunction with the other financial statements of Mohawk and notes thereto included elsewhere in this proxy statement. Reference to the aforementioned notes is indicated by upper case letters.

	Fiscal Periods Ended in				
			See Note (a) (000's Omitted)		
	1966	1967	1968	1969	1970
	(Not Covered by Accountants' Report)				
Revenues:					
Net sales (b)—Note J	$ 20,599	$ 24,326	$ 44,463	$ 60,927	$ 64,351
Rental and service income	910	3,275	9,382	22,084	38,199
	21,509	27,601	53,845	83,011	102,550
Cost of sales	16,696	16,568	29,785	35,931	36,829
Cost of rental and service	774	1,747	4,456	10,657	17,074
	17,470	18,315	34,241	46,588	53,903
Gross profit	4,039	9,286	19,604	36,423	48,647
Development and engineering expenses	1,060	1,288	1,883	4,836	6,395
Selling, general and administrative expenses	5,546	6,136	11,080	17,280	22,888
Losses resulting from product lines sold or discontinued (c)	2,654				
Interest expense (d)	577	694	816	2,401	3,914
Other (income) deductions—net (e)	(1)	(308)	428	153	(298)
	9,836	7,810	14,207	24,670	32,899
Income (loss) before items shown below	(5,797)	1,476	5,397	11,753	15,748
(Provision) credit for income taxes (f)—Note E:					
Current	1,135	(23)	(2,730)	(4,898)	(6,973)
Deferred	22	64	384	(202)	(452)
Amount equivalent to reduction in income taxes arising from use of net operating loss carry-forwards		(835)	(1,004)	(371)	
Income (loss) before extraordinary items	(4,640)	682	2,047	6,282	8,323
Extraordinary items:					
Reduction in income taxes arising from use of net operating loss carry-forwards		835	1,004	371	
Charge relating to settlement of litigation	(177)				
Provision for loss on investment in and advances to unconsolidated foreign subsidiary		(185)			
Net income (loss)	($ 4,817)	$ 1,332	$ 3,051	$ 6,653	$ 8,323
Average shares outstanding (g)	4,331,290	4,775,702	5,293,406	5,449,116	5,474,333
Per share of Common Stock (g):					
Income (loss) before extraordinary items	($1.07)	$.14	$.39	$1.15	$1.52
Extraordinary items—credit (charge)	(.04)	.14	.19	.07	
Net income (loss)	($1.11)	$.28	$.58	$1.22	$1.52

No cash dividends have been paid during the periods shown.

Defendants' Exhibit D

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENT OF INCOME

(Not covered by Accountants' Report with respect to the fiscal periods ended in 1966 and 1967)

(a) Companies acquired during fiscal 1968 on a pooling-of-interests basis (Anelex Corporation and subsidiaries, Soroban Engineering, Inc. and its subsidiary and Ohr-Tronics, Inc.) had fiscal years ended on or about September 30 and the results of such companies for such fiscal years have been included above for the fiscal years 1966 and 1967, with the exception of the consolidated results of Anelex which are included in 1967 for the ten months ended July 30, 1967. The results of Anelex for 1968 are included for the twelve months ended July 31, 1968. Soroban and Ohr-Tronics are included in 1968 for the ten months ended July 31, 1968. The results of Mohawk are included for the twelve months ended July 31 in each of the years. Included in the fiscal year 1968 are the results of operations (not significant) of a company purchased during 1968. See Note A.
Reconciliations of net sales, rental and service income and net income (loss) as initially reported to stockholders and after reflecting the above-described pooling-of-interests are as follows:

	Fiscal Period Ended July 31 (000's Omitted) 1966	1967
Revenues:		
Mohawk, as reported to stockholders:		
Net sales	$ 1,522	$ 6,091
Rental and service income	886	3,239
Companies acquired in pooling-of-interests:		
Net sales	19,077	18,235
Rental and service income	24	36
Total, as shown in consolidated statement of income	$21,509	$27,601
Net Income (Loss):		
Mohawk, as reported to stockholders:	($ 1,006)	$ 1,303
Companies acquired in pooling-of-interests	(3,811)	29
As shown in consolidated statement of income	($ 4,817)	$ 1,332

(b) Approximately 3%—1966; 18%—1967; 30%—1968; 35%—1969 and 32%—1970 of net sales were to National Cash Register Company.
(c) During 1966, Anelex and a subsidiary incurred losses of $2,654,000 from product lines sold or discontinued. Net sales for the 1966 fiscal period excludes sales of $509,000 of product lines sold or discontinued.
(d) Interest applicable to long-term debt amounts to $337,000—1966; $331,000—1967; $292,000—1968; $2,267,000—1969; and $2,896,000—1970.
(e) Other (income) deductions—net includes royalty income of $139,00—1967; $186,000—1968; $237,000—1969; and $361,000—1970 and, in 1968, additional amortization of leasehold improvements and write off of debt expense of $286,000 and $243,000, respectively. Includes, in addition, non-recurring items in fiscal 1970 which were substantially offsetting.
(f) Includes foreign income taxes of $1,061,000 (1969) and $2,482,000 (1970) and state income taxes of $356,000 (1969) and $550,000 (1970).
(g) Computed on the basis of the weighted average number of shares outstanding during each year (including for years prior to the merger of Anelex into Mohawk and the acquisitions of Soroban and Ohr-Tronics, the number of Mohawk shares equivalent to the actual number of Anelex, Soroban and Ohr-Tronics shares outstanding) adjusted retroactively for stock splits. Common stock equivalents do not have a material effect on earnings per share.

For the six months ended January 31, 1971 and January 31, 1970, the unaudited comparative statement of income is as follows:

	Six Months Ended January 31. 1971	1970
	(000's omitted)	
Net sales	$21,040	$33,820
Rental and service income	24,045	17,015
	$45,085	$50,835
Net income	$ 2,345	$ 4,085
Per share of Common Stock:		
Income before extraordinary item	$.43	$.70
Extraordinary item—gain of $275,000 from the revaluation of foreign currencies		.05
Net income	$.43	$.75

Such data are unaudited and, in the opinion of Mohawk, reflect all adjustments (which include only normal recurring accruals) necessary for a fair presentation of the results shown for such periods.

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The decrease in net sales and net income in the six month period ended January 31, 1971 from the comparable period of the prior fiscal year was primarily due to a decrease in shipments to National Cash Register Company and other original equipment manufacturers, believed by Mohawk to be a part of the recent downturn in the U. S. economy which generally adversely affected companies in the computer and computer peripheral industries. In addition, there were significant revenues from certain government contracts during the six month period ended January 31, 1970, which contracts were completed in February 1970.

Rental and service income has been increasing as a proportion of total revenues as Mohawk has maintained its program of placing on rent a substantial portion of the equipment manufactured by it while it continues to derive revenues from equipment previously placed on rent. This increasing proportion was accentuated during the fiscal year ended July 31, 1970 and the six months ended January 31, 1971 because of the decrease in sales to original equipment manufacturers as described above. In an attempt to maintain a balance between equipment sales and rentals, Mohawk has from time to time sold certain of its rental equipment to third parties. See Note J of Notes to Mohawk's Financial Statements.

The length of time equipment remains on rent determines the amount of profits to be made from such equipment. Equipment presently on rent is generally covered by short term lease agreements, although Mohawk is presently offering longer lease programs. See "Business and Properties of Mohawk—Marketing—End User Market". Future rental and service income may be adversely affected by return of equipment on lease for various reasons, including budgetary reductions in the customer's data processing department and the rapid technological advances and obsolescence factors present in the industry.

Mohawk's End User backlog as of January 31, 1971 and as of January 31, 1970 for equipment to be placed on rent was in each instance approximately $35,000,000. Said figures were computed using the equivalent list price sales value of such rental equipment. The backlog at January 31, 1971 of equipment to be sold to original equipment manufacturers was approximately $13,500,000, compared with approximately $20,500,000 at January 31, 1970. The backlog at January 31, 1971 of orders to be filled for the Federal Government was approximately $3,000,000, compared with approximately $250,000 at January 31, 1970. The foregoing figures do not include orders for supplies and spare parts. Such figures cannot be translated into revenues or net income because of the varying profit margins and lead times among the different elements of Mohawk's business. In addition, while the foregoing backlog data are based on firm orders from customers, it has been Mohawk's practice in the past to permit its customers to cancel small orders, reduce quantities ordered, and to delay delivery dates. Such cancellations, reductions and delays have occurred more frequently during the recent economic decline than formerly.

Defendants' Exhibit D

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES AND ATRON CORPORATION

PRO FORMA COMBINED STATEMENT OF INCOME

(Unaudited)

The following unaudited pro forma combined statement of income gives effect to the proposed Agreement and Plan of Merger (described elsewhere herein) between Mohawk and Atron by combining the results of their operations on a pooling-of-interests basis. For purposes of this statement, results of operations of Mohawk for the fiscal period ended July 31, 1970 have been combined with those of Atron for the fiscal period ended September 30, 1970. This statement should be read in conjunction with the other financial statements and notes thereto included elsewhere in this proxy statement.

	Fiscal Periods Ended In (000's omitted)				
	1966	1967	1968	1969	1970
Revenues:					
Mohawk—as reported to stockholders:					
Net sales	$ 20,599	$ 24,326	$ 44,463	$ 60,927	$ 64,351
Rental and service income	910	3,275	9,382	22,084	38,199
Atron (a):					
Net sales					57
Rental and service income					4
	21,509	27,601	53,845	83,011	102,611
Cost of sales	16,696	16,568	29,785	35,931	36,883
Cost of rental and service	774	1,747	4,456	10,657	17,066
	17,470	18,315	34,241	46,588	53,949
Gross profit	4,039	9,286	19,604	36,423	48,662
Development and engineering expenses (b)	1,060	1,288	1,883	5,321	7,019
Selling, general and administrative expenses	5,546	6,136	11,080	17,280	23,617
Losses resulting from product lines sold or discontinued	2,654				
Interest expense	577	694	816	2,401	3,914
Other (income) deductions—net	(1)	(308)	428	153	(510)
	9,836	7,810	14,207	25,155	34,040
Income (loss) before items shown below	(5,797)	1,476	5,397	11,268	14,622
(Provision) credit for income taxes—					
Current	1,135	(23)	(2,730)	(4,898)	(5,973)
Deferred	22	64	384	(202)	(352)
Amount equivalent to reduction in income taxes arising from use of net operating loss carry-forwards		(835)	(1,004)	(371)	
Income (loss) before extraordinary items	(4,640)	682	2,047	5,797	7,297
Extraodinary items:					
Reduction in income taxes arising from use of net operating loss carry-forwards		835	1,004	371	
Charge relating to settlement of litigation	(177)				
Provision for loss on investment in and advances to unconsolidated foreign subsidiary		(185)			
Net income (loss)	($4,817)	$ 1,332	$ 3,051	$ 6,168	$ 7,297
Average shares outstanding (c)	4,331,290	4,775,702	5,293,406	5,623,220	5,673,526
Per share of Common Stock:					
Income (loss) before extraordinary items	($1.07)	$ .14	$ .39	$ 1.03	$ 1.29
Extraordinary items—credit (charge)	(.04)	.14	.19	.07	
Net income (loss)	($1.11)	$ .28	$ .58	$ 1.10	$ 1.29

Defendants' Exhibit D

NOTES TO PRO FORMA COMBINED STATEMENT OF INCOME

(a) Effect has been given to elimination of intercompany sales and service income from Atron to Mohawk (see Note (a) to Atron Statement of Operations and Deficit). Sales from Mohawk to Atron were not material.

(b) For the purposes of this statement, development expenses of Atron have been expensed in the year incurred and reclassified to development and engineering expenses for the period shown on a pro forma basis.

(c) Computed on the basis of the average number of Mohawk shares outstanding during each period, adjusted to give effect to the proposed 1 for 4 exchange of Mohawk common stock for Atron common shares (based upon the average number of Atron shares outstanding during each period).

After giving effect to the Agreement of Merger, and combining the results of operations of Mohawk for the three months ended October 31, 1970 with those of Atron for the three months ended December 31, 1970, and after the elimination of intercompany sales, net sales for the three month period were $10,160,000, rental and service income was $11,665,000 and net income was $1,085,000, equal to $.19 per share. For the comparable three month period of the prior year, net sales were $17,065,000, rental and service income was $7,915,000 and net income was $1,820,000, equal to $.32 per share. Such data are unaudited and, in the opinion of Mohawk and Atron, reflect all adjustments (which include only normal recurring accruals) necessary for a fair presentation of the results shown for such periods.

Defendants' Exhibit D

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES, ATRON CORPORATION AND COLORADO INSTRUMENTS, INC.

PRO FORMA COMBINED STATEMENT OF INCOME
(Unaudited)

The following unaudited pro forma combined statement of income gives effect to the proposed Agreements and Plans of Merger (described elsewhere herein) between Mohawk, Atron and Colorado by combining the results of their operations on a pooling-of-interests basis. For purposes of this statement, results of operations of Mohawk for the fiscal periods ended July 31, have been combined with those of Atron and Colorado for the fiscal periods ended September 30 and May 31, respectively. This statement should be read in conjunction with the other financial statements and notes thereto included elsewhere in this proxy statement.

	Fiscal Periods Ended In				
	1966	1967	1968	1969	1970
			(000's omitted)		
Revenues:					
Mohawk:					
Net sales	$ 20,599	$ 24,326	$ 44,463	$ 60,927	$ 64,351
Rental and service income	910	3,275	9,382	22,084	38,199
Atron and Colorado (a)(d):					
Net sales	592	570	803	693	833
Rental and service income					4
	22,101	28,171	54,648	83,704	103,387
Cost of sales	17,061	16,915	30,283	36,374	37,459
Cost of rental and service	774	1,747	4,456	10,657	17,066
	17,835	18,662	34,739	47,031	54,525
Gross profit	4,266	9,509	19,909	36,673	48,862
Development and engineering expenses (b)	1,116	1,327	1,906	5,386	7,145
Selling, general and administrative expenses	5,667	6,325	11,374	17,583	24,272
Losses resulting from product lines sold or discontinued	2,654				
Interest expense	581	696	825	2,411	3,922
Other (income) deductions—net	(2)	(309)	427	145	(551)
	10,016	8,039	14,532	25,525	34,778
Income (loss) before items shown below	(5,750)	1,470	5,377	11,148	14,074
(Provision) credit for income taxes—					
Current	1,118	(23)	(2,730)	(5,077)	(6,823)
Deferred	22	64	384	108	(214)
Amount equivalent to reduction in income taxes arising from use of net operating loss carry-forwards		(835)	(1,004)	(457)	
Income (loss) before extraordinary items	(4,610)	676	2,027	5,722	7,037
Extraordinary items:					
Reduction in income taxes arising from use of net operating loss carry-forwards	17	835	1,004	457	
Charge relating to settlement of litigation	(177)				
Provision for loss on investment in and advances to unconsolidated foreign subsidiary		(185)			
Net income (loss)(d)	($ 4,770)	$ 1,326	$ 3,031	$ 6,179	$ 7,037
Average shares outstanding (c)	4,376,077	4,829,600	5,352,776	5,629,230	5,754,978
Per share of Common Stock:					
Income (loss) before extraordinary items	($1.05)	$.14	$.38	$1.02	$1.22
Extraordinary items—credit (charge)	(.04)	.13	.19	.08	
Net income (loss)	($1.09)	$.27	$.57	$1.10	$1.22

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NOTES TO PRO FORMA COMBINED STATEMENT OF INCOME

(a) Effect has been given to the elimination of intercompany sales and service income of the companies acquired. Sales from Mohawk to Atron and Colorado were not material.

(b) For the purposes of this statement, development expenses of Atron have been expensed in the year incurred and reclassified to develoment and engineering expenses for the period shown on a pro forma basis.

(c) Computed on the basis of the average number of Mohawk shares outstanding during each period, adjusted to give effect to the proposed 1 for 4 exchange of Mohawk common stock for Atron common shares, and the proposed 1 for 7 exchange of Mohawk common stock for Colorado common stock (based upon the average number of shares outstanding during each period).

(d) Effect has been given to the elimination of intercompany profit on sales from Colorado to Mohawk, net of income tax effect. Net sales of Colorado for the fiscal years ended May 31, 1966 through 1970 were $592,000, $570,000, $803,000, $1,844,000 and $1,287,000, respectively. There were no material intercompany sales during fiscal 1966 through 1968. Intercompany sales eliminated in fiscal 1969 and 1970 amounted to $1,151,000 and $511,000, respectively.

Net income (loss) of Colorado after tax provisions or credits for the fiscal years 1966 through 1970 was $47,000, ($7,000), ($21,000), $321,000 and ($121,000) respectively. Earnings (loss) per share during the same fiscal periods were $.15, ($.02), ($.05), $.64 and ($.21), respectively.

The elimination of intercompany profit on sales, net of tax effect, for fiscal 1969 and 1970 amounted to a reduction in the net income of the combined companies of $310,000 and $140,000, respectively, or a reduction of $.01 per share and $.07 per share, respectively.

After giving effect to the Agreements and Plans of Merger, and combining the results of operations of Mohawk for the three months ended October 31, 1970 with those of Atron for the three months ended December 31, 1970 and with those of Colorado for the three months ended August 31, 1970, and after elimination of intercompany sales, the comparative statement of income is as follows:

	Three Months Ended October 31,	
	1970	1969
	(000's omitted)	
Net sales	$10,535	$17,215
Rental and service income	11,665	7,915
	$22,200	$25,130
Net income	$ 990	$ 1,7[illegible]
Net income per share of Common Stock	$.17	$.31

Such data are unaudited and, in the opinion of Mohawk, Colorado and Atron, reflect all adjustments (which include only normal recurring accruals) necessary for a fair presentation of the results shown for such periods.

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BUSINESS AND PROPERTIES OF ATRON

General

Atron was incorporated under the laws of the State of Minnesota on November 27, 1968. Its executive office and plant facilities are located at 1256 Trapp Road, St. Paul, Minnesota 55121, telephone number (612) 454-6150. Atron is engaged in the design, development, manufacture, systems engineering, programming, marketing and support of small computers and terminal systems.

The initial sales efforts were directed towards the sale of the small computer to original equipment manufacturers (OEM). The volume of sales did not develop to the extent anticipated due, in the opinion of Atron's management, to the downturn in the United States economy during 1970, which generally adversely affected the computer industry. Only a limited marketing organization to offer terminal systems to end users has been developed. See "Reasons for Merger and Recommendations of Directors."

Products

Atron's first product was the 501 Datamanager Computer made for the OEM market. The 501 Datamanager used as a programmable control unit receives data, alters the form of such data, does simple operations on the data and transmits the resulting information. With the use of adaptors, the control unit may be connected to printers, card and tape readers, magnetic tape units and communication lines to provide different combinations of data input, alteration, conversion and output functions.

Atron offers to end users a series of remote batch terminals which include the 501 Datamanager as the main processor. The 501 Datamanager and related interface equipment developed by Atron are combined with card readers, printers, disc units, magnetic tape units, teletypewriters and cathode ray tube display units. The terminal family offers a wide range of communication speeds, with card readers having a capacity of 225 to 1,000 cards per minute and line printers of 135 to 1,250 lines per minute.

Products recently developed or under development which Atron is offering or expects to offer during the current fiscal year include the following: (a) A high speed peripheral line printer subsystem for end users employing the 501 Datamanager. The subsystem includes a Mohawk high speed printer and magnetic tape unit. Engineering development of the subsystem is substantially complete. (b) A low speed multiplexer which permits the 501 Datamanager to communicate with from 8 to 32 common carrier communication lines and to act as a concentrator of information from other remote terminals. The first multiplexer was delivered in February 1971. (c) Flexible peripheral controllers for special purpose low cost control of peripheral devices. These controllers constitute the 601 Series of small computers which are smaller in capacity and cheaper than the 501 Datamanager. A prototype is in operation and the product is expected to be released for manufacturing in the near future. There is no assurance that any of the above described products, if marketed, will be profitable.

Since the technology involved in the design and manufacture of Atron's products and in the computer industry in general is complex and subject to constant change, Atron is committed to a program of continual improvement and refinement of its products.

Marketing

In the fiscal year ended September 30, 1970, sales to Mohawk of the 501 Datamanager and related equipment for integration by Mohawk into its off line print station systems constituted approximately

Defendants' Exhibit D

90% of total sales. Such sales were made pursuant to a contract providing for the sale to Mohawk by Atron of the 501 Datamanager computer and related adaptor units, with certain required features, to the extent ordered by Mohawk. The contract provides that in the event Atron fails to deliver equipment or if Atron terminates the agreement without Mohawk being in default, Atron must, at the request of Mohawk, grant to Mohawk a non-exclusive license to make, sell and use the equipment covered by the agreement, with a royalty being payable after the first 100 units. Because Mohawk has already purchased a specified minimum number of units, Atron must under the agreement, should Mohawk so request, grant Mohawk a non-exclusive license to make, sell and use the equipment covered by the agreement, for which Mohawk would pay Atron $50,000 plus a royalty on all units sold or installed by it.

Production

Atron assembles the components of its products at its own plant. Most of the parts and materials used in the manufacture of the 501 Datamanager and its other products are purchased from independent suppliers. Peripheral devices, such as line printers and card readers, included in the systems are purchased principally from Mohawk. Purchases from Mohawk for the fiscal year ended September 30, 1970 and the four months ended January 31, 1971 were approximately $95,000 and $105,000 respectively. Atron is not dependent on any one supplier.

Competition

The areas of the computer industry in which Atron is engaged are highly competitive. Most competitors are larger than Atron and have financial resources far greater than those of Atron. Established computer manufacturers and other established manufacturers of peripheral equipment have offered, or have the capability and resources to develop and market, products comparable to those offered and proposed to be offered by Atron. In addition, Mohawk under its agreement with Atron, may under certain circumstances acquire a non-exclusive license to make and sell the 501 Datamanager. See "Marketing.

The computer industry in which Atron is active is noted for the frequent introduction of new and advanced techniques, products and services, and as such is subject to early technological obsolescence.

Employees

On January 31, 1971, Atron had 145 full time employees, of whom 12 were in administration, 21 in engineering, 75 in production, 13 in systems and programming and 24 in marketing, field service and support. On that date, Atron had 89 additional persons employed in assembly work on a part time or piece work basis.

Property

Atron's office and manufacturing facilities are located in St. Paul, Minnesota, in a new building of concrete block and brick construction, which was built to its design and is leased by it. The building contains 30,000 square feet, of which 5,000 square feet are used for administration offices and computer facilities, 5,000 square feet for engineering and accounting and 20,000 square feet for production. The basic term of the lease runs until December 31, 1979. The annual rent is $49,280 plus taxes, maintenance and insurance costs. Atron has an option to purchase the property in 1979 at the greater of $464,500 or the fair market value of the land and buildings as determined by arbitration. Sales offices located in the metropolitan areas of Boston, Dallas and Minneapolis are leased for terms of one to three years at annual rents aggregating $21,317.

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BUSINESS AND PROPERTIES OF MOHAWK

General

Mohawk, a New York corporation organized in 1964, is engaged in the design, development, manufacture and sale or rental, in a variety of markets, of electronic data processing equipment designed to be used in association with most computer systems. Its principal products are (1) data input devices, such as DATA-RECORDERS, used to transcribe information by use of a keyboard from source documents and other media directly to standard magnetic tape, which is then processed into a computer; (2) data communications devices used, in conjunction with telephone and other devices, to facilitate the transmission of data to and from various locations, which information can then be processed into a computer or received by other peripheral devices for print-out; (3) media conversion devices used to effect the conversion of information from one medium to another, such as punch card to magnetic tape or paper tape to magnetic tape; and (4) data output devices such as high and low speed printer systems incorporating a broad range of performance capabilities for use with computers and other information processing equipment. Other products include high speed digital listers for use in measurement equipment; various speed card punches and card readers; paper tape readers, interpreters and high speed punches; and specialized computer and other special purpose inked ribbons and perforated tags.

In February 1971 Mohawk announced its System 2400, a highly flexible system with a wide range of peripherals interfaced with an Atron 501 Datamanager computer. The new system was designed for use with the third generation of computers, and timed to coincide with the initial phase of the new IBM System/370 cycle. It should be noted that deliveries of the System 2400 are not scheduled to commence until late fiscal 1971, and there can be no assurance that Mohawk will be able to produce and market the System 2400 successfully.

Mohawk's principal executive offices are located on Palisade Street, Herkimer, N. Y. 13350 and its telephone number at such address is (315) 867-6000.

The term "Mohawk" as used herein means and includes Mohawk Data Sciences Corp. and all of its subsidiaries unless otherwise indicated or unless the context otherwise requires.

Proposed Merger of Colorado Instruments, Inc.

On March 11, 1971, Mohawk announced an agreement in principle with Colorado Instruments, Inc., providing for the merger of such corporation into a wholly-owned subsidiary of Mohawk and the issuance of one share of Common Stock of Mohawk for each seven outstanding shares of Colorado. If such merger is consummated, Mohawk will be obligated to issue an aggregate of approximately 81,600 shares of its Common Stock to the Colorado shareholders and assume the obligations of Colorado pursuant to its outstanding options and warrants, which may require Mohawk to issue up to approximately 10,100 additional shares. It is expected that such merger will be submitted to the shareholders of Colorado for approval at a meeting to be held during the latter part of May, 1971. The merger with Colorado is subject to the approval of the Board of Directors of Mohawk and to various conditions similar to those outlined on page 5 hereof with respect to the proposed merger of Mohawk and Atron. Mohawk can give no assurances that such merger will be consummated or, if consummated, will be effected on the terms set forth above.

Colorado was incorporated under the laws of the State of Colorado in 1961 and maintains executive offices and plant facilities in Broomfield, Colorado. Colorado's primary product is a source data collection system (the C-Dek system) providing for the acquisition of data at its point of origin, conversion thereof to computer-usable form and transmission, usually through a multiplexer, to a recorder for subsequent computer processing or directly on-line to the customer's own computer. Colorado also

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manufactures electro-mechanical and electronic components for a number of commercial and industrial customers, and performs custom system engineering services. Colorado is currently engaged in the development of a low-cost solid-state keyboard unit which it expects to manufacture and sell to original equipment manufacturers who use keyboards as a part of their own input devices.

Since 1968 Colorado expended considerable efforts to build up the distribution of its source data collection equipment to the end user market, which involved substantial expansion of its marketing and engineering forces, necessitating corresponding expenditures. Although such efforts resulted in increased shipments, expansion in the end user market by Colorado required the placement of equipment under lease, as opposed to outright sale, with certain adverse effects on Colorado. Leasing of equipment placed a heavy strain on its working capital and cash position, and such situation was alleviated only in part through the use of third-party lessors, who advanced a portion of future rentals, as the tight money market during 1970 made it difficult for Colorado to obtain sufficient lease financing. In addition, the severe downturn in the U. S. economy adversely affected Colorado's shipments.

The following table sets forth the net sales, rental and service income and net earnings of Colorado for the periods indicated:

	Year Ended May 31,					Six Months Ended November 30,	
	1966	1967	1968	1969	1970	1970	1969
Net Sales.....	$591,644	$570,010	$802,896	$1,843,961	$1,286,616	$473,510	$723,519
Rental and Service Income	—	—	—	—	—	$ 22,539	—
Net Earnings (Loss)	$ 46,821	($6,694)	($20,862)	$ 321,016	($121,479)	($481,936)	$ 7,694

For the three months ended February 28, 1971 net revenues were $30,734 and the net loss was $315,532, or $.56 loss per share. For the comparable three month period ended February 28, 1970 net revenues were $117,340 and the net loss was $94,369, or $.16 loss per share. Such data are unaudited and in the opinion of Colorado reflect all adjustments (which include only normal recurring accruals) necessary for a fair presentation of the results shown for such periods.

Prior to 1968, Colorado's sales and marketing activities were limited to direct sales efforts by the home office staff, supplemented by manufacturers' representatives. In June 1968 Colorado entered into a marketing agreement with Mohawk, giving Mohawk certain exclusive worldwide rights to market the C-Dek system. Colorado retained the right to also market the system in competition with Mohawk, subject to certain limitations. In May 1970 Mohawk's exclusivity under the agreement expired. During fiscal year ended May 31, 1969, sales to Mohawk were $1,151,000, or 62% of total revenues. For the fiscal year ended May 31, 1970, sales to Mohawk decreased to $511,000, or 40% of total revenues, and for the six-month period ended November 30, 1970, sales to Mohawk were $204,000, or 41% of total revenues. The decline in sales to Mohawk during fiscal 1970 and the first six months of fiscal 1971 was attributable to a decrease in demand for Colorado's products by Mohawk's customers, causing Mohawk to reduce its orders from Colorado.

Marketing

Mohawk's customers may be divided into four main classifications: the customer which rents or buys Mohawk's equipment for its own use (an "End User"), the electronic data processing original equipment manufacturer ("OEM") which buys Mohawk's equipment for resale and as a component part of its own system, the United States Federal Government and the purchasers of supplies for data processing equipment.

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End User Market

In the End User market Mohawk's primary products are its DATA-RECORDER series and high and low speed printer systems, which are suitable for use with over 90% of the magnetic tape computers presently on the market, including most of the computer systems manufactured by International Business Machines Corporation, National Cash Register Company, Honeywell Information Systems Inc., RCA Corp., Control Data Corporation and others. Various models and configurations of models of the DATA-RECORDER series have applications in the data processing areas of computer input, transmission or communications, and media conversion (e.g. paper tape to magnetic tape, punch cards to magnetic tape). Other Mohawk products fill market needs in the areas of data collection and computer output.

During each of the fiscal years ended July 31, 1968, 1969 and 1970 substantially all of Mohawk's equipment shipped domestically to End Users was on a rental basis. Mohawk's basic domestic lease agreement provides for an initial term of 12 months and continues thereafter on a month to month basis until terminated by either party. Additional equipment may be included under the original lease with the result that equipment may in effect be rented under leases with a firm duration of only one month. Mohawk recently commenced a program of marketing its equipment to End Users pursuant to extended term leases ranging from two to five years, with options to extend for additional periods. Such leases provide the End User with significant discounts from the basic monthly rental charge applicable to a one year rental.

Equipment is distributed nationally to End Users through 78 regional offices in 38 states, and has been rented or sold to more than 2,800 End User customers. Multiple unit usage is common; most customers have two or more units and several have 200 or more.

OEM Market

The products sold to OEM customers include the DATA-RECORDER series, BUFFERED TAPE UNITS, printers and print heads, card readers and punches, and paper tape readers, punches and interpreters. Mohawk also sells a full complement of spare parts for such equipment. Mohawk's OEM sales distribution system has sales offices in 14 locations. OEM purchasers generally receive substantial volume discounts and normally market any products purchased from Mohawk under their own labels.

The single largest OEM customer in both the domestic and foreign markets is National Cash Register Company ("NCR"), which accounted for approximately 25%, 25% and 20% of total revenues during the fiscal years ended July 31, 1968, 1969 and 1970, respectively. Most sales to NCR are made pursuant to a contract, as amended, giving NCR the exclusive worldwide right, with the exception of Mohawk's sales force, to market the DATA-RECORDER series and certain other products. Such exclusivity will terminate in the event NCR fails to purchase products under the contract at the rate of 1500 units per annum, and will terminate outside of the United States and Canada in the event 800 units are not purchased per annum for use outside of the United States and Canada. Although shipments to NCR have recently decreased (see page 14 hereof), NCR is presently purchasing products at a level sufficient to maintain such exclusivity. Under the contract, NCR receives volume discounts for products purchased thereunder which vary according to the product and the aggregate annual volume of NCR purchases. Such contract may be terminated by either party upon 36 months' prior written notice.

U. S. Federal Government Market

Mohawk is marketing its equipment other than the DATA-RECORDER series on a rental and sales basis to the Federal Government and certain of its prime contractors. In addition, Mohawk sells spare parts to the purchasers of such equipment. NCR has the exclusive right to market the DATA-RECORDER series to the Federal Government until June 30, 1972, and thereafter unless terminated upon one year's

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prior written notice, except that under the NCR contract, as amended, the DATA-RECORDER series, if connected to a data processing system produced by Mohawk, may be marketed to the Federal Government by Mohawk.

Mohawk has recently contracted to supply the Army Electronics Command with high speed page printers for the military world-wide communications system known as the Automatic Digital Information Network ("Autodin"). Mohawk previously had supplied said agency with printers under the Autodin program. Deliveries under such contract are to commence in November 1971 and continue until August 1972. Mohawk has also subcontracted with one of the prime contractors in the Autodin program to deliver card punches and high speed interpreters during the period from June 1971 until March 1972. It is expected that the revenues to be received by Mohawk from such contracts will approximate $2,400,000.

Supplies Market

Mohawk produces specialized computer and other special purpose inked ribbons for the supplies market; it also manufactures and sells paper tickets for its data collection system to the retail, garment and textile industries.

Foreign Operations

Mohawk distributes its products through 75 sales and service offices in Canada, Belgium, The Netherlands, France, Great Britain, Italy, West Germany, Switzerland, Denmark and Ireland and through foreign representatives in 51 other countries. Mohawk has manufacturing facilities in Menden, West Germany and Eaglescliffe, England. See "Plant and Personnel."

Production

Production operations involve the assembling of parts, components and units purchased from others, and the manufacturing of mechanical and printed circuit components. Alternate sources are available for most items purchased. Mohawk's engineering staff has designed many of the special devices employed to accelerate the intricate assembly processes while adhering to rigid quality standards.

Revenues

Sales of Mohawk's products accounted for approximately 83%, 73% and 63% of total revenues for the fiscal years ended July 31, 1968, 1969 and 1970, respectively, and the balance was represented by rental and service income. See Mohawk's Consolidated Statement of Income on page 12 hereof. All of Mohawk's products are electronic data processing equipment and supplies therefor.

Foreign operations accounted for approximately 13%, 22% and 30%, respectively, of total revenues for the fiscal years ended July 31, 1968, 1969 and 1970. The percentage of such revenues attributable to sales and to rentals was substantially similar to that of domestic operations. It is Mohawk's policy to price equipment sold abroad so that the gross profit margin on foreign and domestic sales is not significantly different. However, because a larger percentage of sales abroad is to independent distributors and End Users, as contrasted with the high percentage of domestic sales to OEM customers, as well as because of differences in foreign and domestic tax rates, wage and salary costs, and other factors, Mohawk's net profit as a percentage of revenues on foreign operations is somewhat higher than on domestic operations. This may not continue to be so in the future.

Engineering

Mohawk's engineering program is directed primarily towards the design and development of new products for the data processing industry and is oriented to applications and systems engineering in the areas of primary concern to Mohawk and other data processing original equipment manufacturers: the

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data input, data communications, media conversion and data output fields. In addition, the engineering department provides substantial assistance and support to Mohawk's manufacturing and marketing operations. Mohawk employed 120 engineers at January 31, 1971.

Mohawk holds numerous patents (including a patent issued in December, 1969 on certain features of the DATA-RECORDER) and has applied for additional patents. While Mohawk feels that these patents and applications, and additional patents that may be applied for, are and will be of value, it believes such patents and applications will not be determinative of Mohawk's success, which depends principally upon its manufacturing, engineering, marketing and service skills and the quality and economic value of its products rather than upon patent protection.

Competition

In the electronic data processing field, competition is intense and technological advances are rapid. Mohawk encounters active competition from a number of independent manufacturers of recording devices, printers and other peripheral equipment for electronic data processing systems and from certain large computer manufacturers which produce such equipment for their own use and compete by offering such equipment to other systems manufacturers. Some of these competitors have far greater resources and facilities than Mohawk and, considered in the aggregate, compete in the entire line of equipment marketed by Mohawk.

Plant and Personnel

Mohawk has its principal office in Herkimer, New York and its financial and legal office in New York, New York. Its chief manufacturing facilities are in Herkimer, New York; Stoneham, Massachusetts; King of Prussia, Pennsylvania; and Menden, West Germany; with other production facilities in New York, California and England. There are a total of 79 Mohawk sales and service offices throughout the United States. All of such offices (as well as all such offices in foreign countries) maintain a supply of spare parts and equipment to help implement support given to customers by Mohawk-trained field service engineers.

In Herkimer, Mohawk carries on manufacturing operations and applications and systems engineering functions in three buildings, aggregating approximately 300,000 square feet, all of which buildings are of masonry and steel frame construction, located on approximately 38 acres of land owned by Mohawk. See "Capital Structure" for information with respect to mortgages on the buildings. Mohawk's research and development facilities in Stoneham, Massachusetts consist of two buildings aggregating 65,000 square feet. Mohawk's operations in King of Prussia, Pennsylvania are conducted in two leased plants aggregating 100,000 square feet. Mohawk's West German subsidiary manufactures DATA-RECORDERS and printers in a 56,000 square-foot plant in Menden, West Germany. Mohawk's other manufacturing facilities aggregate approximately 63,500 square feet, of which approximately 32,500 square feet of space are owned and the balance leased, as are its sales and service offices in the United States and abroad. Mohawk maintains schools in Herkimer and Menden for training its salesmen and field service engineers and the personnel of its customers. Mohawk also owns two warehouses, aggregating approximately 140,000 square feet, and leases an additional 18,600 square feet of warehousing space. See Note J of Notes to Mohawk's Financial Statements with respect to annual rentals payable.

As of January 31, 1971, Mohawk employed 3,065 persons on a full time basis in its domestic operations. Mohawk's personnel were assigned as follows: engineering—305, including 120 engineers; sales and field service—866; manufacturing and quality control—1,691; and general management and administration—203. As of January 31, 1971, approximately 1,300 additional persons were employed in Mohawk's foreign operations. Mohawk believes that its relations with its employees are excellent.

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MANAGEMENT OF MOHAWK

The following table sets forth certain information as to each of the present directors of Mohawk:

Name	Principal Occupation	A Director Since	Shares of Common Stock Owned Beneficially as of December 31, 1970
Robert Groben	Partner in Ferris, Hughes, Dorrance & Groben, Utica, New York, attorneys	1964	17,112 (1)
V. E. Johnson*	Chairman of the Board of Mohawk	1964	257,270
Paul R. Judy	President of A. G. Becker & Co. Incorporated, investment bankers	1965 and since February, 1967	1,550 (2)
Richard L. Karpen	Executive Vice President of Mohawk	1969	2,200
Lorne H. King	Retired	1966	49,100
Max Philipson	President of Max Philipson & Co., Inc., securities dealers	1964	93,688 (3)
Richard P. Rifenburgh*	President of Mohawk	1964	77,705 (4)
Theodore D. Robinson	Consultant to Mohawk	1970	48,354 (5)
Herbert Roth, Jr.	President of LFE Corporation, a manufacturer of electronics apparatus and systems	1967	4,264
Patrick B. Smith	Vice President of Mohawk	1969	16,094
Otto Stitz	President of MDS-International, Inc., a subsidiary of Mohawk	1967	3,333
Wayne Wells*	Executive Vice President and Treasurer of Mohawk	1968	200

*Member of the Executive Committee. Messrs. Karpen and Stitz are alternate members.

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(1) Excludes a total of 400 shares owned by Mr. Groben's wife, the beneficial ownership of which is disclaimed by Mr. Groben.

(2) In addition, The Paul R. Judy Foundation, of which Mr. Judy is President and a director, holds of record and beneficially $14,000 principal amount of Mohawk's 5½% Convertible Subordinated Debentures due December 15, 1994, which are convertible into shares of Common Stock of Mohawk at $85.50 per share. Mr. Judy disclaims beneficial ownership of such securities.

(3) Excludes a total of 30,000 shares owned by Mr. Philipson's wife. In addition, The Max and Ruth C. Philipson Foundation, of which Mr. Philipson is a controlling person, holds of record and beneficially $25,000 principal amount of Mohawk's 5½% Convertible Subordinated Debentures due December 15, 1994. Mr. Philipson disclaims beneficial ownership of any of such securities.

(4) In addition, 43,534 shares are owned by a corporation presently controlled by trusts for members of Mr. Rifenburgh's family other than himself, and 255 shares are owned by trusts for the benefit of his children. Mr. Rifenburgh disclaims any beneficial interest in the ownership thereof.

(5) Excludes a total of 425 shares owned by Mr. Robinson's wife and minor daughter, the beneficial ownership of which is disclaimed by Mr. Robinson.

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Messrs. Johnson, Rifenburgh and Smith have been with Mohawk since its inception in 1964. Mr. Wells joined Mohawk in February, 1968, having been a partner of S. D. Leidesdorf & Co., certified public accountants, for the three previous years. Mr. Karpen has been with Mohawk since September, 1967, prior to which he had been with Control Data Corporation for more than the previous two years, his last position there being Director of Engineering of the Government Systems Division. Mr. Stitz has been with Mohawk since April, 1967, and before that was with Remington Rand G.m.b.H. in Germany for 17 years. Messrs. King and Robinson were founders of Mohawk and were employed by Mohawk until their retirement in 1969 and 1970, respectively. Messrs. Philipson and Groben have held their present positions for more than the past five years and Mr. Judy has been with A. G. Becker & Co. Incorporated for ten years, having been its president since 1968. Mr. Roth had been president of Anelex Corporation prior to its merger into Mohawk in October, 1967, and was president of Mohawk's subsidiary of such name until March, 1968 when he became president of LFE Corporation.

Remuneration of Directors and Officers

The aggregate remuneration paid by Mohawk and its subsidiaries for services in all capacities during the fiscal year ended July 31, 1970 to each person who was a director at any time during such fiscal year whose aggregate direct remuneration exceeded $30,000 and to each of the three highest paid officers of Mohawk, and to all persons as a group who were directors or officers of Mohawk at any time during such fiscal year, and the estimated annual retirement benefits of each individual named below under Mohawk's Pension Plan, were as follows:

Name of Individual or Number of Persons in Group	Capacities in Which Remuneration Was Received (1)	Aggregate Direct Remuneration	Estimated Annual Pension Benefits Upon Retirement (2)
V. E. Johnson	Chairman of the Board of Mohawk	$ 75,000	$2,263
Richard P. Rifenburgh	President of Mohawk	61,667	5,766
Wayne Wells	Executive Vice President and Treasurer of Mohawk	61,250	3,876
Richard L. Karpen	Executive Vice President of Mohawk	51,500	4,300
Otto Stitz	Officer of Mohawk's European subsidiaries	50,833	4,030(3)
Patrick B. Smith	Vice President of Mohawk	50,667	2,727
Herbert Roth, Jr.	Consultant to Mohawk	31,111	—
All directors and officers as a group (22 persons)		733,013	—

(1) Until June 11, 1970 Mr. Johnson was President of Mohawk as well as Chairman of the Board. Mr. Rifenburgh was Executive Vice President and Secretary, Mr. Wells was Financial Vice President and Treasurer and Mr. Karpen was a Vice President. The remuneration received in such capacities by them is included hereunder.

(2) Assuming that (i) each such individual will retire at normal retirement age (65), (ii) each will be paid at least $20,000 per year until retirement, (iii) benefits under the Pension Plan are not altered prior to retirement, and (iv) all actuarial costs and expenses of the Pension Plan are paid by Mohawk.

(3) Mr. Stitz does not participate in Mohawk's Pension Plan but similar benefits are provided for him pursuant to arrangements with subsidiaries of Mohawk.

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Mr. Stitz has entered into employment contracts with certain of Mohawk's European subsidiaries, expiring in 1975 and renewable thereafter on a year-to-year basis, providing for aggregate annual remuneration of approximately $60,000.

Under Mohawk's Profit-Sharing Retirement Plan for Employees, benefits are accrued for domestic employees. An amount equal to approximately 3% of Mohawk's consolidated net profits before income taxes is contributed to such Plan for each fiscal year. The contribution is allocated equally among all participants up to $200. Any excess contribution above such amount is allocated among all participants based on salary up to a maximum of $20,000 per year. Messrs. Johnson, Rifenburgh, Wells, Karpen and Smith are participants in such Plan, and each has accrued benefits thereunder in the amount of $237.

Interest in Certain Transactions

A. G. Becker & Co. Incorporated, of which Paul R. Judy is president, and Max Philipson & Co., Inc., of which Max Philipson is president, received $161,340 and $2,250, respectively, as gross underwriting discounts in connection with the sale in December, 1969 of Mohawk's 5½% Convertible Subordinated Debentures due December 15, 1994.

STOCK OPTIONS OF MOHAWK

On July 9, 1970 the Board of Directors of Mohawk adopted the 1970 Stock Option Plan (the "1970 Plan"), providing for the granting to key employees of Mohawk and its subsidiaries of options to purchase an aggregate of 400,000 shares of Common Stock of Mohawk. The 1970 Plan was ratified and adopted at the Annual Meeting of Stockholders held November 17, 1970.

At July 9, 1970, there were outstanding options covering 177,600 shares of Mohawk Common Stock which had been granted prior to that date (a) under Mohawk's qualified stock option plans, (b) to foreign employees of Mohawk's subsidiaries (either individually or pursuant to a plan), and (c) in connection with the merger into Mohawk of Anelex Corporation. On such date all employees holding the foregoing options ("old options") were granted options under the 1970 Plan to purchase a number of shares of Mohawk Common Stock equal to the total number of shares covered by all old options held by them. These 1970 Plan options are exercisable at a price of $23.00 per share, which was the approximate fair market value of Mohawk's Common Stock on the date of grant. Of such options, Messrs. Wells and Karpen hold options covering 12,000 shares and 8,000 shares, respectively, and directors and officers as a group hold options covering an aggregate of 36,200 shares. These persons hold old options to purchase an equal number of shares at an average exercise price of $65.68. Such 1970 Plan options provide that upon exercise thereof all old options held by such optionee will be cancelled. Likewise, any exercise of an old option automatically terminates an optionee's 1970 Plan option. Upon adoption of the 1970 Plan by the stockholders, Mohawk terminated its existing option plans, except for options outstanding thereunder. Additional options under the 1970 Plan have been granted to Messrs. Rifenburgh, Karpen, Stitz and Smith, covering 10,000, 2,000, 7,500 and 5,000 shares, respectively, and to all directors and officers as a group covering 36,500 shares, all of which are exercisable at $23.00 per share, except for two options, covering 2,000 shares and 1,000 shares, exercisable at $27.25 and $30.00 per share, respectively.

OTHER MATTERS

The Board of Directors is not aware of any matter, other than as stated above, which will or may properly be presented for action at the meeting. If any other matters properly come before the meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares represented by such proxies in accordance with their best judgment.

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MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES AND ATRON CORPORATION

PRO FORMA CONDENSED COMBINED BALANCE SHEET AS AT JULY 31, 1970
(Unaudited)

The following unaudited pro forma condensed combined balance sheet has been prepared by combining the balance sheet of Mohawk as at July 31, 1970 with the balance sheet of Atron as at September 30, 1970, giving effect to the proposed Agreement and Plan of Merger (described elsewhere herein) on a pooling-of-interests basis. This statement should be read in conjunction with the other financial statements and notes thereto included elsewhere in this proxy statement.

ASSETS

(000's omitted)

	Mohawk	Atron	Pro Forma Adjustments	Mohawk and Atron Combined
Current Assets:				
Cash	$ 9,357	$3,109		$ 12,466
Accounts receivable, net	16,592	333		16,925
Inventories	40,774	498	($200) (C)	41,072
Other	1,542	11		1,553
Total Current Assets	68,265	3,951		72,016
Rental Machines, net	40,549	82		40,631
Fixed Assets, net	15,005	244		15,249
Other Assets	5,615	323	(323) (B) (191) (A)	5,424
	$129,434	$4,600		$133,320

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:				
Notes payable	$ 14,502			$ 14,502
Accounts payable	7,812	$ 201		8,013
Federal and foreign income taxes	5,355		100 (C)	5,255
Other	5,614	103		5,717
Total Current Liabilities	33,283	304		33,487
Convertible Debentures	45,000			45,000
Other Liabilities	4,589			4,589
Stockholders' Equity—				
Common Stock	548	215	193 (A)	570
Capital in Excess of Par Value	30,084	5,168	(2) (A)	35,254
Retained Earnings	15,930	(1,087)	100 (C) 323 (B)	14,420
Total Stockholders' Equity	46,562	4,296		50,244
	$129,434	$4,600		$133,320

NOTES:

(A) The accounts have been adjusted to reflect the issuance of 1 share of Mohawk common stock for each 4 common shares of Atron. Based upon the outstanding shares of Atron (other than those held by Mohawk, which have been eliminated above) as at September 30, 1970, the pro forma statement reflects the issuance of 222,955 shares of Mohawk common stock.

(B) For the purposes of this statement development expenses of Atron have been expensed in the year incurred.

(C) Effect has been given to the elimination of intercompany profit on sales from Atron to Mohawk, net of the income tax effect.

(D) No provision has been made in the pro forma balance sheet for expenses incident to the proposed merger.

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MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES
ATRON CORPORATION AND COLORADO INSTRUMENTS, INC.
PRO FORMA CONDENSED COMBINED BALANCE SHEET AS AT JULY 31, 1970
(Unaudited)

The following unaudited pro forma condensed combined balance sheet has been prepared by combining the pro forma combined balance sheet of Mohawk as at July 31, 1970 and Colorado as at May 31, 1970 and the balance sheet of Atron as at September 30, 1970, giving effect to the proposed Agreements and Plans of Merger (described elsewhere herein) on a pooling-of-interests basis. This statement should be read in conjunction with the other financial statements and notes thereto included elsewhere in this proxy statement.

ASSETS

(000's omitted)

	Mohawk and Colorado Combined	Atron	Pro Forma Adjustments	Mohawk, Atron and Colorado Combined
Current Assets:				
Cash	$ 9,695	$3,109		$ 12,804
Accounts receivable, net	16,936	333		17,269
Inventories	40,531	498	($200) (C)	40,829
Other	1,726	11		1,737
Total Current Assets	68,888	3,951		72,639
Rental Machines, net	40,273	82		40,355
Fixed Assets, net	15,383	244		15,627
Other Assets	5,764	323	(323) (B) (191) (A)	5,573
	$130,308	$4,600		$134,194

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:				
Notes payable	$ 14,507			$ 14,507
Accounts payable	7,954	$ 201		8,155
Federal and foreign income taxes	4,907		100 (C)	4,807
Other	5,819	103		5,922
Total Current Liabilities	33,187	304		33,391
Convertible Debentures	45,000			45,000
Other Liabilities	4,675			4,675
Stockholders' Equity—				
Common Stock	556	215	193 (A)	578
Capital in Excess of Par Value	31,395	5,168	(2) (A)	36,565
Retained Earnings	15,495	(1,087)	100 (C) 323 (B)	13,985
Total Stockholders' Equity	47,446	4,296		51,128
	$130,308	$4,600		$134,194

Defendants' Exhibit D

NOTES TO PRO FORMA CONDENSED COMBINED BALANCE SHEET

(A) The accounts have been adjusted to reflect the issuance of 1 share of Mohawk common stock for each 4 common shares of Atron. Based upon the outstanding shares of Atron (other than those held by Mohawk, which have been eliminated above) as at September 30, 1970, the pro forma statement reflects the issuance of 222,9[illegible] shares of Mohawk common stock.

(B) For the purposes of this statement development expenses of Atron have been expensed in the year incurred.

(C) Effect has been given to the elimination of intercompany profit on sales from Atron to Moha[illegible], net of the income tax effect.

(D) No provision has been made in the pro forma balance sheet for expenses incident to the proposed merger.

(E) The combined balance sheet of Mohawk and Colorado has been adjusted to give effect to the elimination of intercompany profit on sales from Colorado to Mohawk, net of the income tax effect, resulting in decreases in the amount of $620,000 in the combined inventories, $276,000 in rental machines, $448,000 in Federal income taxes accrued and a reduction in retained earnings of $448,000.

The accounts have also been adjusted to reflect the issuance of 1 share of Mohawk common stock for each 7 shares of Colorado common stock. Based upon the outstanding shares of Colorado as of May 31, 1970, the pro forma statement reflects the issuance of 81,522 shares of Mohawk common stock. This resulted in an adjustment of $564,000 to Capital in Excess of Par Value.

Defendants' Exhibit D

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To The Board of Directors and Stockholders
of Atron Corporation

We have examined the balance sheet of Atron Corporation as of September 30, 1970, the statement of operations and deficit for the year then ended and the statement of common shares and capital contributed in excess of par value from incorporation, November 27, 1968 to September 30, 1970. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accompanying financial statements show as an asset unrecovered promotional and developmental costs, net of amortization, of $323,219 referred to in Note A to the financial statements. Recovery of these costs is dependent upon the future success of operations.

In our opinion, subject to the future realization of the item referred to in the preceding paragraph, the statements identified above present fairly the financial position of Atron Corporation at September 30, 1970, the results of its operations and deficit for the year then ended and the changes in common shares and capital contributed in excess of par value from incorporation, November 27, 1968 to September 30, 1970, in conformity with generally accepted accounting principles.

HURDMAN AND CRANSTOUN, PENNEY & CO.

New York, New York
December [illegible], 1970

Defendants' Exhibit D

ATRON CORPORATION

BALANCE SHEET

September 30, 1970

ASSETS

Current assets:	
Cash	$ 30,270
Temporary investments, at cost plus accrued interest, approximating market (Note B)	3,079,020
Accounts receivable (net of allowance for doubtful accounts—$4,500)	333,411
Inventories, at the lower of average cost or market:	
Finished goods	54,493
Work in process	174,219
Raw material and components	269,619
Prepaid expenses	11,030
Total current assets	3,952,062
Rental and demonstration equipment, at cost less accumulated depreciation of $5,830 (Note C)	81,568
Equipment, furniture and leasehold improvements, at cost (Note C):	
Plant and engineering equipment	193,290
Office furniture and equipment	58,561
Leasehold improvements	15,623
	267,474
Less accumulated depreciation	23,012
	244,462
Unrecovered promotional and developmental costs, net of amortization of $161,609 (Note A)	323,219
	$ 4,601,311

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Accounts payable	$ 201,387
Accrued salaries, wages and vacation pay	75,476
Payroll taxes withheld	12,972
Accrued taxes, other than income	14,536
Total current liabilities	304,371
Commitments (Note D)	
Stockholders' equity (Notes E and F):	
Common shares, par value $.20 per share:	
Authorized, 1,500,000 shares	
Issued, 1,093,323 shares	218,665
Capital contributed in excess of par value	5,169,579
Deficit	(1,087,304)
	4,300,940
Less 6,500 shares held in treasury, at cost	4,000
	4,296,940
	$ 4,601,311

The accompanying notes are an integral part of the financial statements.

Defendants' Exhibit D

ATRON CORPORATION

STATEMENT OF COMMON SHARES AND CAPITAL CONTRIBUTED IN EXCESS OF PAR VALUE

From Incorporation, November 27, 1968 to September 30, 1970

	Number of shares	Par value of common shares	Capital contributed in excess of par value
Issued 1,425,00 common shares, $.10 par value	1,425,000	$142,500	$ 738,750
Effect of 1-for-2 reverse split on July 31, 1969	(712,500)		
	712,500	142,500	738,750
Sale of 80,000 common shares, $.20 par value	80,000	16,000	484,000
Sale of warrants to purchase 20,000 common shares			2,000
	792,500	158,500	1,224,750
Less expenses incurred during the period related to:			
Issuance of common shares			(38,316)
Registration of 150,000 units			(15,001)
Balance, September 30, 1969	792,500	158,500	1,171,433
Sale of 150,000 units consisting of two common shares and a warrant to purchase one common share, net of related expenses incurred during the year of $58,335	300,000	60,000	3,996,665
Sale of common shares pursuant to exercise of options	823	165	1,481
Balance, September 30, 1970	1,093,323	$218,665	$5,169,579

The accompanying notes are an integral part of the financial statements.

Defendants' Exhibit D

ATRON CORPORATION

NOTES TO FINANCIAL STATEMENTS

September 30, 1970

Note A. UNRECOVERED PROMOTIONAL AND DEVELOPMENTAL COSTS:

The Company was incorporated in Minnesota on November 27, 1968.

To September 30, 1969, the Company engaged in arranging for facilities, developing operating and administrative procedures, and developing its initial products. These costs totalled $484,828 (net of $24,958 in revenues during the preoperating stage).

The Company commenced amortization of these costs on October 1, 1969, when regular production began. The Company intends (subject to revision, if necessary) to amortize fully these costs over a period of 36 months. Amortization for the year ended September 30, 1970 totalled $161,609. Since October 1, 1969, the Company has charged all additional product development to operations.

Note B. TEMPORARY INVESTMENTS:

During the period from incorporation to September 30, 1970, the Company has invested funds received from the sales of common shares, not immediately required for corporate purposes, in United States Government securities, certificates of deposit and other corporate indebtedness. As of September 30, 1970, temporary investments included $2,237,954 of certificates of deposit, $101,319 of United States Treasury bills, both at cost plus accrued interest and non-transferable participation certificates totalling $700,000 plus accrued interest of $39,747 which latter represents participations with a bank in unsecured short-term corporate notes maturing to December 28, 1970.

Note C. EQUIPMENT, FURNITURE AND LEASEHOLD IMPROVEMENTS:

It is the policy of the Company to provide depreciation on equipment, furniture and leasehold improvements by charges to operations, computed on the straight-line method, over their estimated useful lives as follows—

Rental and demonstration equipment	4 years
Plant and engineering equipment	4 - 8 years
Office furniture and equipment	8 years
Leasehold improvements	3 - 10 years

The Company charges operations with the cost of maintenance and repairs. Renewals and betterments are capitalized. On retirement or sale, the difference between cost less accumulated depreciation and the proceeds therefrom, is charged or credited to operations.

Note D. COMMITMENTS:

The Company leases its office, engineering and manufacturing facilities under a lease which runs to December 31, 1979, with options to renew for two successive ten-year periods, with annual payments aggregating $32,500 plus real estate taxes, insurance, repairs and maintenance. The Company has an option to purchase this property in 1979 at the greater of $314,500 or the fair market value of the land and buildings as determined by arbitration.

The Company requested the lessor to construct a 10,000 square foot expansion to the building, which addition was substantially completed in November, 1970. The increase in annual rental as a result of this addition is expected to be approximately $17,000 and the stated purchase price is expected to increase by approximately $150,000.

In addition, the Company has entered into leases covering sales offices as follows:

Location	Term	Expiration Date	Annual Rental
Bloomington, Minn.	One year	2/28/71	$ 5,481
Waltham, Mass.	Three years	3/31/73	7,148
Dallas, Texas	Three years	2/28/73	8,688
			$21,317

Defendants' Exhibit D

ATRON CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

September 30, 1970

Note E. STOCKHOLDERS' EQUITY:

On September 17, 1969, the Company sold for $1,000 each, two Special Warrants to purchase 10,000 common shares each. The Special Warrants have an eight year term. One Special Warrant provides for a purchase price of $15.00 per share and the other provides for a purchase price of $6.25 per share during the first five years and $15.00 per share during the following three years.

On January 23, 1970, the Company sold 150,000 units each consisting of two common shares and a warrant to purchase one common share. The warrants are exercisable at any time prior to January 31, 1975 at an exercise price of $17.00 per share subject to adjustment for anti-dilution and other provisions.

None of the above warrants have been exercised.

Note F. STOCK OPTIONS:

In December, 1968, the Company adopted a Stock Option Plan intended to conform with the requirements for "qualified stock options" as defined in Section 422 of the Internal Revenue Code. Under this plan, the Company has authorized the granting of stock options for 50,000 common shares to key employees. The period following the date of grant during which an option may be exercised may not exceed five years. No option is exercisable during the first year following the date of grant and thereafter not more than 25% of the shares subject to the option may be purchased each year. The option price shall not be less than the fair market value of the common shares at the time the option is granted.

Other information with respect to these options is set forth in the following tabulation:

	Number of shares	Option Price		Fair Value	
		Range per share	Total	Range per share	Total
Shares under option and fair value at date options were granted:					
September 30, 1969	29,275	$2.00-$ 6.25	$ 66,838	$2.00-$ 6.25	$ 66,838
September 30, 1970	35,839	2.00- 15.00	176,612	2.00- 15.00	176,612
Options which became exercisable and fair value of shares when exercisable:					
September 30, 1969	—	—	—	—	—
September 30, 1970	7,306	2.00- 6.25	16,676	2.67- 15.00	65,083
Options exercised and fair value of shares when exercised:					
September 30, 1969	—	—	—	—	—
September 30, 1970	823	2.00- —	1,646	3.38- 4.87	3,245

As of September 30, 1970, 49,177 shares were reserved for issuance on exercise of options.

Defendants' Exhibit D

ATRON CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

September 30, 1970

Note G. SUPPLEMENTARY PROFIT AND LOSS INFORMATION:

Fiscal Year Ended in 1970

Item	Charged Directly to Profit and Loss: Cost of Goods Sold	Charged Directly to Profit and Loss: Other Profit and Loss Accounts	Total
Maintenance and repairs	$ 3,308	$ 5,286	$ 8,594
Depreciation and amortization:			
Depreciation	8,573	18,509	27,082
Amortization of developmental costs	—	161,609	161,609
Taxes, other than taxes on income:			
Payroll taxes	21,768	35,503	57,271
Personal property taxes	1,105	1,105	2,210
Rents	15,728	46,521	62,249

There were no management or service contract fees.

Defendants' Exhibit D

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
Mohawk Data Sciences Corp.

We have examined the consolidated balance sheet of Mohawk Data Sciences Corp. and subsidiaries as at July 31, 1970, and the related consolidated statements of income, capital in excess of par value and retained earnings for the three years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned consolidated financial statements present fairly the consolidated financial position of Mohawk Data Sciences Corp. and subsidiaries at July 31, 1970 and the consolidated results of their operations for the three years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

S. D. LEIDESDORF & CO.

New York, N.Y.
September 16, 1970

Defendants' Exhibit D

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

As at July 31, 1970

	(000's Omitted)
ASSETS	
Current Assets:	
Cash (including time deposits of $1,485,000)	$ 9,357
Accounts receivable — principally trade, less allowance of $873,000 for doubtful accounts	16,592
Inventories, at lower of cost or market — Note B	40,774
Other	1,542
Total Current Assets	68,265
Rental Machines — at cost of production, less accumulated depreciation of $15,123,000 — Note C	40,549
Fixed Assets — at cost, less accumulated depreciation of $6,057,000 — Notes C and G	15,005
Excess of Cost over Underlying Book Equity of Companies Acquired — Note A	2,442
Other Assets — Note D	3,173
	$129,434
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Notes payable — Note J	$ 14,440
Current portion of long term debt — Note G	62
Accounts payable	7,812
Federal and foreign income taxes — Note E	5,355
Salaries, wages and commissions	917
Taxes accrued and withheld	1,796
Other (including accrued interest of $483,000)	2,901
Total Current Liabilities	33,283
Convertible Debentures — Note F	45,000
Mortgages Payable and Other Long Term Debt — Note G	2,143
Unamortized Investment Tax Credits — Note E	1,070
Deferred Income Taxes ($643,000) and Other Credits — Note E	1,376
Stockholders' Equity — Notes A, F and I:	
Common Stock, par value $.10 per share; authorized 15,000,000 shares; issued and outstanding 5,483,591 shares	548
Capital in Excess of Par Value — see accompanying statement	30,084
Retained Earnings — see accompanying statement	15,930
Total Stockholders' Equity	46,562
Contingencies, Commitments and Other Comments — Note J	
	$129,434

The accompanying notes are an integral part of this statement.

Defendants' Exhibit D

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITAL IN EXCESS OF PAR VALUE AND RETAINED EARNINGS

	*Fiscal Periods Ended in (000's Omitted)		
	1968	1969	1970
Capital in Excess of Par Value:			
Balance at beginning of year — Note A	$21,424	$27,752	$28,834
Credits (charges) arising from — Notes A and I:			
Excess of net proceeds from sale of Common Stock (including shares issued upon exercise of stock options and stock purchase plan — Note I) over the par value thereof — 94,172, 3,073 and 8,078 shares, respectively	596	54	328
Excess of principal amount of convertible debentures over the par value of 100,000 and 25,997 shares, respectively, of Common Stock exchanged therefor, net of related debt expense	610	1,028	
Excess of net proceeds over the par value of 12,769 shares issued upon exercise of the Common Stock Purchase Warrants			922
Pooling-of-interests (transactions subsequent to July 31, 1967)	1,292		
Issuance of Common Stock for the purchase of a company	4,102		
Stock split	(272)		
Balance at end of year	$27,752	$28,834	$30,084
Retained Earnings:			
Balance (deficit) at beginning of year	($ 2,097)	$ 954	$ 7,607
Net income for the year	3,051	6,653	8,323
Balance at end of year	$ 954	$ 7,607	$15,930

*See Note (a) to the consolidated statement of income.

Numbers of shares shown above have been adjusted to give effect to the 2 for 1 stock split in July 1968.

The accompanying notes are an integral part of these statements.

Defendants' Exhibit D

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

Note A. PRINCIPLES OF CONSOLIDATION:

The accompanying financial statements include in consolidation the accounts of all domestic subsidiaries for all periods and foreign subsidiaries commencing with the 1968 fiscal year (see below). The financial statements include on a pooling-of-interests basis, the consolidated accounts of Anelex Corporation, Soroban Engineering, Inc. and Ohr-Tronics, Inc., three companies acquired during fiscal 1968 in exchange for an aggregate of 1,144,946 shares (adjusted for 2 for 1 stock split in July 1968) of Common Stock. See Note (a) to the consolidated statement of income. A fourth company (H. M. Storms Company) was acquired in 1968 in exchange for 46,906 shares (adjusted for the stock split) of Common Stock and its accounts have been included in the consolidated statement of income from the date of purchase.

Excess of cost over underlying book equity of companies acquired is principally applicable to the above purchased company. Amortization of such intangibles was discontinued in 1969, since, in the opinion of management, there has been no diminution of value; the effect of such change was immaterial.

All material intercompany items and transactions have been eliminated in consolidation. Investments in subsidiaries are reflected on the books of the parent company on the equity method of accounting.

The accounts of foreign subsidiaries have been translated into United States dollars at appropriate historical, average or current rates of exchange. The net unrealized gains or losses on translation (not material) have been credited or charged to income.

Included in the accompanying consolidated balance sheet as at July 31, 1970 are the following amounts applicable to the foreign subsidiaries (exclusive of intercompany balances):

	(000's Omitted)
Current assets	$16,398
Current liabilities	(14,576)
Rental machines — net	15,994
Other liabilities — net	(248)
Net assets	$17,568

Foreign subsidiaries have pledged approximately $5,700,000 of assets as collateral for short-term loans.

Foreign operations resulted in net income for fiscal 1970 of approximately $3,500,000 and for fiscal 1969 of approximately $1,990,000 and a net loss for fiscal 1968 of approximately $211,000. Prior to August 1, 1967, the activities of the foreign subsidiaries consisted almost entirely of start-up operations and net costs prior to that date were deferred to be amortized over the subsequent three-year period.

Note B. INVENTORIES:

Cost represents invoice or production cost on a first-in, first-out or average basis. Market represents replacement cost or realizable values after provision for estimated costs of completion and sale. The amounts of opening and closing inventories entering into the computation of cost of sales are:

End of fiscal period ended in	(000's Omitted)
1967	$13,656
1968	19,030
1969	31,486
1970	40,774

Defendants' Exhibit D

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note C. RENTAL MACHINES AND FIXED ASSETS:

The following tabulation sets forth rental machines and the major classifications of fixed assets and the estimated useful lives used in computing depreciation and amortization:

	Years	Cost as at July 31, 1970 (000's Omitted)
Rental machines	5 and 8	$55,672
Land and improvements	10	$ 1,209
Buildings and improvements	5-45	6,881
Machinery and equipment	3-33	12,393
Construction in progress		579
		$21,062

For financial reporting purposes, depreciation is computed on rental machines by the 150% declining-balance method as to those machines delivered prior to August 1, 1967; as to those machines delivered after that date, the cost of the machines is depreciated 20% during each of the first four years and the balance over the remaining life of such assets. Depreciation on other fixed assets is computed principally by the straight-line method. Expenditures for maintenance, repairs and renewals are charged to income as incurred. Betterments which significantly extend the useful lives of assets are capitalized. At the time fixed assets are sold, retired or otherwise disposed of, the cost thereof and the related accumulated depreciation or amortization are eliminated from the accounts and any gain or loss is credited or charged to income.

The capitalized cost of machines, rented by foreign subsidiaries, which are manufactured in the United States, includes, commencing in 1969, certain handling costs. The effect of such change was not significant.

Note D. OTHER ASSETS:

Other assets consist of the following:	(000's Omitted)
Notes and accounts receivable	$1,298
Expenses related to subordinated debentures, less amortization of $50,000 (being amortized over term of debt)	990
Investments — at cost	290
Start-up costs, applicable to foreign operations, less accumulated amortization of $529,000 (being amortized over three years)	108
Cash surrender value of life insurance policies	104
Other	383
	$3,173

Note E. U. S. AND FOREIGN INCOME TAXES:

For income tax purposes, depreciation is computed on rental machines and most fixed assets by accelerated methods and gross profits on certain intercompany sales are not deferred; these policies, together with others, differ from those employed for financial reporting purposes. Provision has been made in the accompanying financial statements for applicable deferred income taxes.

Investment tax credits are amortized over the useful lives of the applicable property. The provisions for Federal income taxes for 1968, 1969 and 1970 were reduced by amortization of investment tax credits amounting to $176,000, $350,000 and $345,000, respectively. Amounts credited to income in prior years were not significant.

Note F. CONVERTIBLE DEBENTURES:

The 5¼% Convertible Subordinated Debentures (due 1994) of $30,000,000 (payable by the Company) and the 5½% Subordinated Guaranteed Debentures (due 1989) of $15,000,000 (payable by a subsidiary, MDS Capital Corporation, and guaranteed by the Company) are convertible into Common Stock of the Company at $85.50 and $82.00 per share, respectively. The indenture under which the debentures due in 1994 were issued, provides for annual sinking fund payments, beginning in 1979, of 5% of the principal amount outstanding on December 15, 1978.

Defendants' Exhibit D

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (Continued)

Note G. MORTGAGES PAYABLE AND OTHER LONG TERM DEBT:

Mortgages payable and other long term debt consists of the following:

	(000's Omitted)
2¾% — 7% Mortgages payable in monthly installments to 1988 (collateralized by certain real estate).....	$ 854
10¼% and 10½% notes payable (due 1973).....	1,351
	2,205
Less — Current portion	62
	$2,143

Of the foregoing $854,000 is payable by the Company and $1,351,000 by a subsidiary, MDS-France S.A., and guaranteed by the Company.

Annual payments of principal on long term debt required during the next succeeding five fiscal years are $62,000 (1971), $65,000 (1972), $1,420,000 (1973), $72,000 (1974) and $67,000 (1975).

Note H. PENSION AND PROFIT SHARING PLANS:

The Company and its domestic subsidiaries have a non-contributory pension plan (commenced in 1969) and a non-contributory profit sharing retirement plan (commenced in 1970) covering substantially all their employees. Approximately $475,000 (1969) and $728,000 (1970) was provided to cover the cost of such plans. It is the Company's policy to fund pension costs as they accrue, which costs are based upon an appropriate actuarial method, and the profit sharing costs represent approximately 3% of consolidated net income before income taxes, as defined. A change in actuarial assumptions for the pension plan was made during 1970 which had no material effect on net income.

Note I. COMMON STOCK:

In August 1966 the Common Stock was split 2 for 1 and the authorized shares were increased to 3,500,000 shares, par value 10¢ per share. In December 1967, the authorized shares were increased to 7,000,000 shares. In July 1968, the Common Stock was split 2 for 1, and in November 1968 the authorized shares were increased to 15,000,000 shares, and 1,000,000 shares of Preferred Stock, par value $1.00 per share, were authorized (none of which has been issued). Where appropriate, effect is given to such splits.

On July 9, 1970, a new non-qualified stock option plan for key employees of the Company and its subsidiaries for up to 400,000 shares was adopted by the Board of Directors. For each unexercised qualified stock option (and unexercised non-qualified option in the case of foreign employees) outstanding on July 9, 1970, the Company granted a non-qualified option at $23.00 per share under the new plan. In connection with the adoption of the new plan the qualified stock option plans (and non-qualified stock option plan in the case of foreign employees) in existence at July 9, 1970 were terminated, except for the options which were outstanding thereunder at July 9, 1970. Such new options, in effect, provide that the exercise of an option under either plan will cancel all options held by the optionee under the other plan. In addition to such grants of options for 177,600 shares, the Company also granted options for 103,450 shares at $23.00. Although the option price may be up to 25% below the fair market value on the date of granting the option, all options granted to date have been granted at fair market value. Options become exercisable, at various percentages, cumulatively from one to five years after the date of grant and may be exercised up to 10 years after the date of grant, when such options expire.

	Number of Shares	Option Price		Market Price	
		Per Share	Total	Per Share (At Date of Grant)	Total
Options outstanding at July 31, 1970, granted in 1970.....	280,350	$23.00	$ 6,448,050	$23.00	$ 6,448,050

Options for 700 shares were cancelled during July 1970.

Defendants' Exhibit D

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (Continued)

The following information relates to the qualified and non-qualified stock option plans which have been terminated, except for outstanding options thereunder at July 9, 1970, by the adoption of the new non-qualified plan described above.

Qualified plans for key employees of the Company under which options are exercisable during a period beginning one year and ending five years after the date of grant:

	Number of Shares	Option Price Per Share*	Option Price Total	Market Price Per Share (At Date of Grant)	Market Price Total (At Date of Grant)
Options outstanding as at July 31, 1970, granted during:					
Fiscal year ended in:					
1967	350	$25.625	$ 8,969	$25.625	$ 8,969
1968	68,000	$51.00 to $102.125	5,618,112	$51.00 to $102.125	5,618,112
1969	42,500	61.625 to 87.685	3,118,413	61.625 to 87.685	3,118,413
1970	46,200	56.25 to 77.625	2,813,088	56.25 to 77.625	2,813,088
	157,050		$11,558,582		$11,558,582
Options (other than cancelled options) which became exercisable during:					
Fiscal year ended in:				(At Date First Exercisable)	
1968	2,500	$10.25 to $ 25.625	$ 56,537	$53.00 to $ 79.50	$ 167,600
1969	41,045	51.00 to 102.125	3,150,973	63.00 to 89.656	3,001,132
1970	22,450	61.625 to 102.125	1,851,269	20.937 to 83.375	1,074,250
Options exercised during:					
Fiscal year ended in:				(At Date of Exercise)	
1968	73,416	$ .417 to $ 25.625	$ 83,207	$49.00 to $107.375	$ 5,921,590
1969	1,250	4.125 to 25.625	6,231	66.625 to 71.75	83,537
1970	800	25.625	20,500	38.875 to 83.937	40,112

*Refer to the second paragraph of this Note for information regarding the new non-qualified stock option plan.

Options for 11,000 shares (1968), 53,400 shares (1969) and 49,830 shares (1970) were cancelled.

Non-qualified plans for employees of the Company's foreign operations under which options are currently exercisable and expire five years after the date of grant:

	Number of Shares	Option Price Per Share*	Option Price Total	Market Price Per Share (At Date of Grant)	Market Price Total (At Date of Grant)
Options outstanding as at July 31, 1970, granted during:					
Fiscal year ended in:					
1967	600	$37.00	$ 22,200	$37.00	$ 22,200
1968	9,400	$49.25 to $ 92.00	685,375	$49.75 to $ 93.50	692,238
1969	8,000	73.25 to 85.00	613,550	73.25 to 87.688	616,488
1970	1,850	56.25 to 76.81	134,623	56.25 to 76.81	134,623
	19,850		$ 1,455,748		$ 1,465,549
Options (other than cancelled options) which became exercisable during:					
Fiscal year ended in:				(At Date First Exercisable)	
1968	24,000	$31.00 to $ 92.00	$ 1,223,475	$79.50	$ 1,908,000
1969	8,000	73.25 to 85.00	613,550	$73.25 to $ 87.688	616,487
1970	1,850	56.25 to 76.81	134,623	56.25 to 76.81	134,623

Defendants' Exhibit D

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

	Number of Shares	Option Price		Market Price	
		Per Share*	Total	Per Share (At Date of Exercise)	Total
Options exercised during: Fiscal year ended in:					
1968	11,534	$15.00 to $49.25	$307,860	$78.00 to $93.50	$964,902
1969	400	37.00	14,800	71.75 to 74.25	28,950
1970	5,200	31.00 to 66.50	233,400	69.75 to 78.375	394,150

*Refer to the second paragraph of this Note for information regarding the new non-qualified stock option plan.

Options for 200 shares were cancelled in 1970.

On October 20, 1967, the Company assumed the obligations of an acquired company under its Restricted Stock Option Plan to issue up to 14,224 shares of its Common Stock at prices of $10.21 and $17.82 per share (aggregate $241,209); market prices at dates of grant were $10.75 and $18.75 (aggregate $253,900). At July 31, 1970, options for 1,666 shares were outstanding at a price of $17.82 per share (aggregate $29,688); market price at date of grant was $18.75 per share (aggregate $31,238). Options were exercised for 9,222 shares (October 20, 1967 to July 31, 1968), 1,265 shares (1969) and 1,266 shares (1970) at the above option prices for a total consideration of $197,195; the market prices at the date of exercise ranged from $63.50 to $99.00 per share (aggregate $938,625). Options for 805 shares were cancelled (1969) and are not reissuable.

Under the Employees' Stock Purchase Plan, adopted during fiscal 1969, 970 shares were issued (812 during fiscal 1970); subscriptions for 36,936 shares of Common Stock were outstanding at July 31, 1970; 112,094 shares were available for future grants under the plan.

During October 1967, 3,334 shares were purchased by a key employee of the Company's foreign operations at $15.00 per share. The market value of such shares on the date of the agreement was $31.00 per share. The Company has amortized the excess of the aforementioned market value over the purchase price during a three-year period which began in May 1967, which approximated the term of his employment contract.

There were no charges to income in connection with stock options except as noted in the preceding paragraph.

Upon exercise of stock options, the Company credits the Common Stock account with the par value of shares issued therefor and credits Capital in Excess of Par Value with the excess of proceeds over such par value.

At July 31, 1970, 550,696 shares of Common Stock were reserved for the stock option and purchase plans and 533,805 shares for conversion of convertible debentures.

Note J. CONTINGENCIES, COMMITMENTS AND OTHER COMMENTS:

Annual rentals of real property aggregated approximately $1,000,000 as at July 31, 1970.

Management is of the opinion that adjustments, if any, of sales subject to the Renegotiation Act of 1951 will have no material effect on the financial statements.

Commencing in the 1970 fiscal year, the Company sold certain equipment on rent for approximately $4,100,000 to non-affiliated third parties. The related sales agreements provide, in the event of termination of any leases during the five years after the sale, for options by the Company generally to substitute lessees or substitute equipment. The maximum liability for future rental payments during such five years, under such agreements at July 31, 1970, discounted to present value, approximates $4,200,000. After five years, the Company participates in rentals received on such equipment and has an option to repurchase any or all of such units sold.

Included in "Notes Payable" is $4,650,000 of notes to banks due July 31, 1971 issued under a credit agreement, pursuant to which the banks have agreed to loan to July 31, 1971, an aggregate principal amount of up to $20,000,000, as adjusted, in the United States and up to $5,000,000 to foreign subsidiaries. Such agreement includes provisions which, among other matters, relate to the creation of additional long-term indebtedness, the maintenance of net operating assets, as defined, at certain levels and the maintenance of certain financial ratios.

Defendants' Exhibit D

MOHAWK DATA SCIENCES CORP. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (Continued)

Note K. SUPPLEMENTARY PROFIT AND LOSS INFORMATION:

Item	Charged Directly to Profit and Loss		
	To Cost of Sales, Rentals and Service (a)	Other	Total
	(000's Omitted)		
Maintenance and repairs(b):			
Fiscal year ended in:			
1968	$ 255	$ 12	$ 267
1969	191	35	226
1970	412	125	537
Depreciation and amortization:			
Fiscal year ended in:			
1968	3,114	399	3,513
1969	5,582	598	6,180
1970	9,659	866	10,525
Taxes, other than income taxes—principally payroll taxes:			
Fiscal year ended in:			
1968	953	761	1,714
1969	1,073	1,235	2,308
1970	1,758	1,393	3,151
Rents—premises and equipment:			
Fiscal year ended in:			
1968	572	353	925
1969	457	922	1,379
1970	410	1,143	1,553
Royalties:			
Fiscal year ended in:			
1968		41	41
1969		51	51
1970		22	22

There were no management and service contract fees.

Provisions for doubtful accounts for the fiscal years ended in 1968, 1969 and 1970 amounted to $136,000, $244,000 and $771,000, respectively.

(a) Included are amounts charged to rental machines. The Company's accounting records do not segregate amounts charged to such equipment.

(b) Excludes costs of maintaining rental machines as such service is billed to customers pursuant to contracts.

Defendants' Exhibit D

Exhibit I

MINNESOTA BUSINESS CORPORATION ACT

301.40 RIGHTS OF SHAREHOLDERS NOT ASSENTING TO CERTAIN CORPORATE ACTION. Subdivision 1. **Objection to proposed amendment of articles.** If a corporation has given notice to shareholders of a proposal to amend the articles of incorporation, which proposed amendment would substantially change the corporate purposes or would extend the duration of the corporation, a shareholder may, at any time prior to the date of the meeting at which such proposed amendment is to be voted upon, file a written objection to such amendment in the office of the secretary or president of the corporation and demand payment for all shares owned by such shareholder; provided, that such demand shall be of no force and effect if such shareholder votes in favor of the amendment, or at any time consents thereto in writing, or if the proposed amendment be not in fact effected.

Subd. 2. Appraisers. If, after such a demand by one or more shareholders, the corporation and one or more shareholders cannot agree upon the fair cash value of the shares at the time such amendment was authorized, such value shall be determined in a single proceeding by three disinterested appraisers, one of whom shall be named by the shareholders, another by the corporation, and the third by the two thus chosen. The appraiser named by such shareholders shall, in the event of disagreement among such shareholders, be selected by the holders of a majority of the shares with respect to which payment has been demanded. The determination of a majority of the appraisers in good faith made shall be binding on all demanding shareholders and the corporation, and if the amount so determined is not paid by the corporation within 30 days after it is made, such amount may be recovered in an action by any such demanding shareholder against the corporation. The corporation shall not be required to make payment of such amount except upon transfer to it of the shares for which such payment was demanded and upon surrender of the certificate or certificates evidencing the same.

Subd. 3. Expenses. The appraisers' expenses and fees, together with other expenses, not including counsel fees, incurred in the conduct of the arbitration shall be paid by the corporation except that all or any part of such costs and expenses may be apportioned and assessed against any or all of the demanding shareholders if a majority of the appraisers in good faith find that such demanding shareholders refused to accept an offer to purchase of the corporation and that such refusal was arbitrary or vexatious or otherwise not in good faith.

Subd. 4. Withdrawal of demand. Any shareholder making such demand may withdraw the demand at any time prior to the determination of the fair cash value of the shares by filing written notice of such withdrawal in the office of the secretary or president of the corporation.

Subd. 5. Payment, when not made. A shareholder shall not be entitled to payment for his shares under the provisions of this section unless the value of the corporate assets which would remain after such payment would be at least equal to the aggregate amount of its debts and liabilities exclusive of stated capital.

301.44 DISSENTING SHAREHOLDERS; RIGHTS. Subdivision 1. **Demand for payment.** If a domestic corporation has given notice to shareholders of a proposal to merge into or consolidate with any other corporation or corporations, a shareholder may, at any time prior to the date of the meeting at which such proposed merger or consolidation is to be voted upon, file a written objection to such

Defendants' Exhibit D

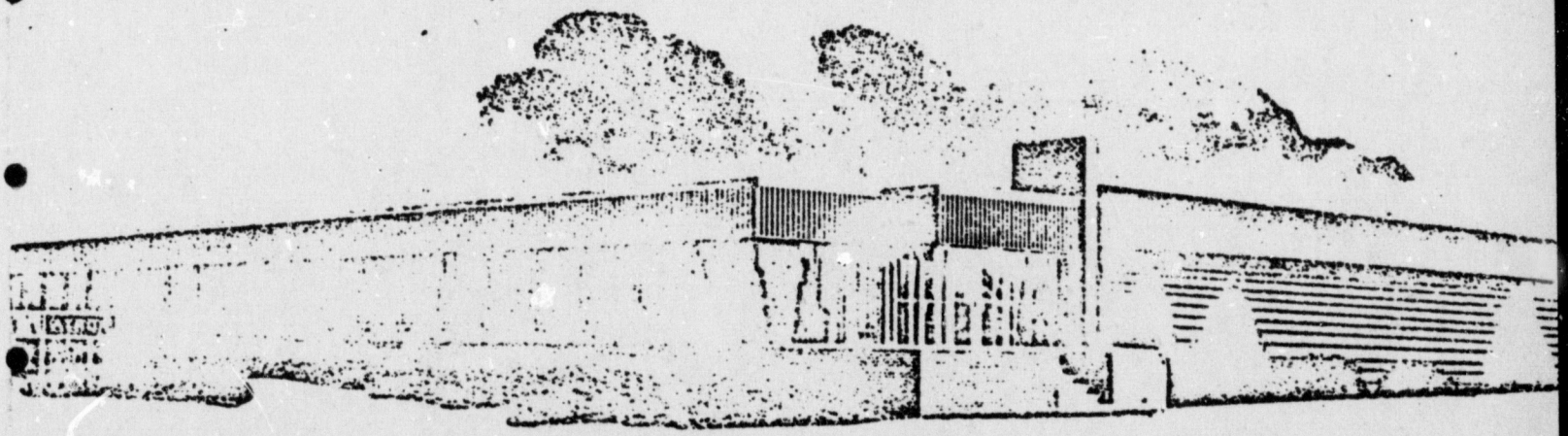
merger or consolidation in the office of the secretary or president of the corporation and demand payment for his shares and have the fair cash value thereof determined as provided in section 301.40, the relevant provisions of which section shall be in all respects applicable; provided, that such demand shall be of no force and effect if such shareholder votes in favor of the merger or consolidation, or at any time consents thereto in writing, or if the proposed merger or consolidation be not in fact effected. The liability of such corporation to such dissenting shareholder for the fair cash value of the shares so agreed upon or awarded shall also be a liability of the consolidated or surviving corporation, as the case may be.

Subd. 2. **Failure to object deemed assent.** Those shareholders of the constituent corporations who do not object in writing and demand payment for their shares pursuant to the provisions of subdivision 1 shall be deemed to have assented to the consolidation or merger, as the case may be, on the terms specified in the agreement of the consolidation or merger.

Defendants' Exhibit O

Annual Report

ATRON CORPORATION / 1970



ATRON

Defendants' Exhibit O

ATRON CORPORATION

DIRECTORS

Richard L. Karpen,
Executive Vice President,
Mohawk Data Sciences Corp.

Mark M. Koschmann,
Vice President of Marketing and Systems,
Atron *Corporation*

Dennis C. Stanga,
Vice President of Administration and Treasurer,
Atron *Corporation*

Joseph S. Stoutenburgh,
Chairman and President,
Atron *Corporation*

Jeffrey Weiss,
Associate in Investment Banking,
Ladenburg, Thalmann & Co.

OFFICERS

Joseph S. Stoutenburgh,
Chairman and President

Dennis C. Stanga,
Vice President of Administration and Treasurer

Mark M. Koschmann,
Vice President of Marketing and Systems

Finley E. McLeod,
Vice President of Production

Robert J. Gountanis,
Vice President of Marketing

CORPORATE OFFICE

1256 Trapp Road,
St. Paul, Minnesota 55118

GENERAL COUNSEL

Dorsey, Marquart, Windhorst,
West & Halladay
2400 First National Bank Building,
Minneapolis, Minnesota 55402

INDEPENDENT ACCOUNTANTS

Hurdman and Cranstoun, Penney & Co.
140 Broadway, New York, New York 10005

TRANSFER AGENT AND REGISTRAR

First Trust Company of St. Paul
First National Bank Building,
332 Minnesota Street,
St. Paul, Minnesota 55101

SHARES TRADED

Over the Counter,
(Ticker Symbol "ATRN")

Annual Meeting of Shareholders will be held at 10 A.M. on Wednesday, January 27, 1971, at the Sheraton Motor Inn, 2525 East 78th Street, Minneapolis, Minnesota 55420.

TO OUR STOCKHOLDERS:

The *Atron* Corporation was organized in November 1968. Our fiscal year extends from October 1 through September 30. For the fiscal year ending September 30, 1970, our revenues totaled $895,483, and our net loss was $1,087,304 or $1.10 per share based on the weighted average of shares outstanding. Included in the net loss figure is the amortization of $161,609 for promotional and development costs incurred prior to October 1, 1969.

The fiscal year has marked the major development of the company in three areas. First, *Atron* Corporation stock was offered to the public in January 1970. The proceeds from this offering have permitted the company to pursue necessary organizational, product, and market developments. Secondly, product development was pursued for current and future OEM and End User markets. Thirdly, the marketing and customer service organizations were established for our initial entry into the End User market, as well as the extension of our customer potential for OEM products.

Our backlog increased in the final quarter of FY 1970 to $853,805, which was a continuation of the positive trend in the previous quarter. More than 90% of the total 1970 sales were to Mohawk Data Sciences Corp. Both the MDS backlog and the non-MDS business are expected to increase over the next six months, and it is anticipated that MDS orders will continue to be a major percentage of our sales in the coming year.

The introduction of the ATRON Datamanager Terminal Family at the beginning of our new fiscal year signals another phase in the company's growing market development. The terminal family takes advantage of the company's basic products and, being programmable, our terminals are particularly versatile in their applications. Our initial customer contacts also confirm what has recently been indicated in independent publications — that there is a substantial market for programmable batch terminals. Pointing toward this market, therefore, we feel that our product-line terminal family is among the leaders in offering a saleable spectrum of system capabilities and a terminal with true application versatility.

Atron entered the new fiscal year with an excellent cash position of over $3 million, maintained a debt-free posture, and continued the upward trend in its backlog picture into the first quarter of FY 1971.

Economic conditions during FY 1971 are difficult to predict. For this reason, *Atron* management is taking a conservative course in operating budgets and capital expenditures. With success in the placement of End User terminals, capital requirements for FY 1971 will be increased. However, with our strong cash position and FY 1971 business expected to be predominantly OEM, we do not anticipate a cash problem.

Sincerely,

J. S. Stoutenburgh

J. S. Stoutenburgh
Chairman and President

December 28, 1970

Defendants' Exhibit O

PRODUCTS

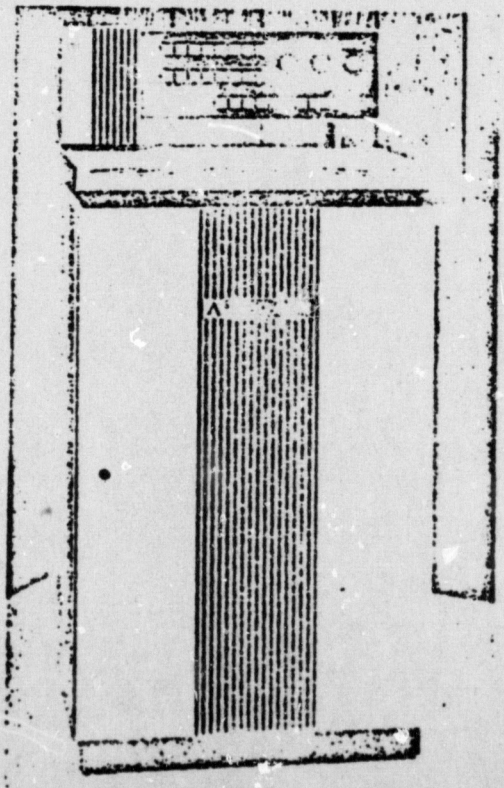
When selecting products for development, Atron has always recognized the fact that our industry is characterized by rapid technological change and the continuing danger of early obsolescence. Atron products must be sufficiently flexible to give them long-term responsiveness to our customer's needs — both OEM and End User. The technology we use must be selected for its high performance and reliability, as well as being cost competitive. Our development of products and our selection of peripheral equipment, therefore, are always undertaken with these important facts consistently in mind.

CURRENT *ATRON* PRODUCTS:

Atron delivered its first computer in September 1969. This computer, the ATRON 501 Datamanager, is designed for high efficiency in handling strings of characters for data manipulation, input and output processing, and typical business arithmetic operations. The design of the 501 Datamanager computer highlights characteristics which make it particularly attractive in a wide variety of applications. High-level macro instructions, for example, are implemented in the logic circuits in a manner which make the Datamanager easy to program and very versatile in its application.

In addition to providing a programmable control unit for the OEM market, the 501 Datamanager's advanced architecture and input/output flexibility make it an excellent main processor for those numerous small system configurations which require multiple peripherals and data communications capability. During FY 1970, for example, *Atron* has developed and released peripheral subsystems for medium-speed card readers, medium-speed printers, fixed- and removable-disc units, 7- and 9-track magnetic tape units, teletypewriters, CRTs, as well as extensive data communications features and options.

Atron has recently released a series



501 Datamanager computer—basis for the ATRON Terminal Family.

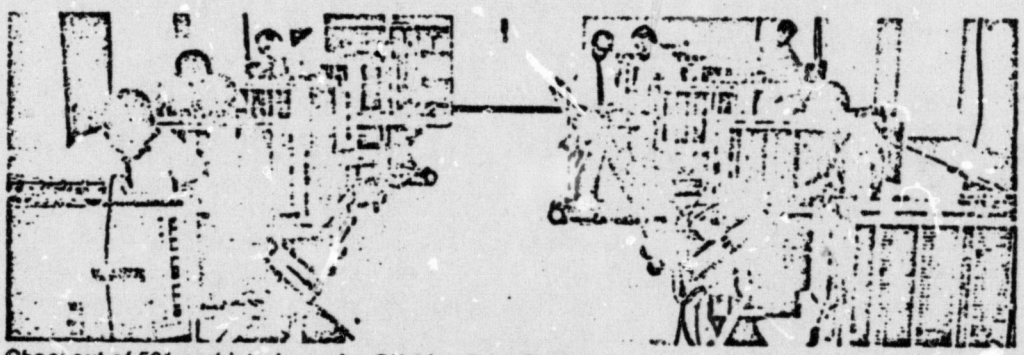
Defendants' Exhibit O

of terminals in the *remote batch* category for the End User market. Designed and built around the 501 Datamanager computer, *Atron* terminals can be made to operate with any central site which has facilities and standard software to accept remote job entry tasks over standard communication lines.

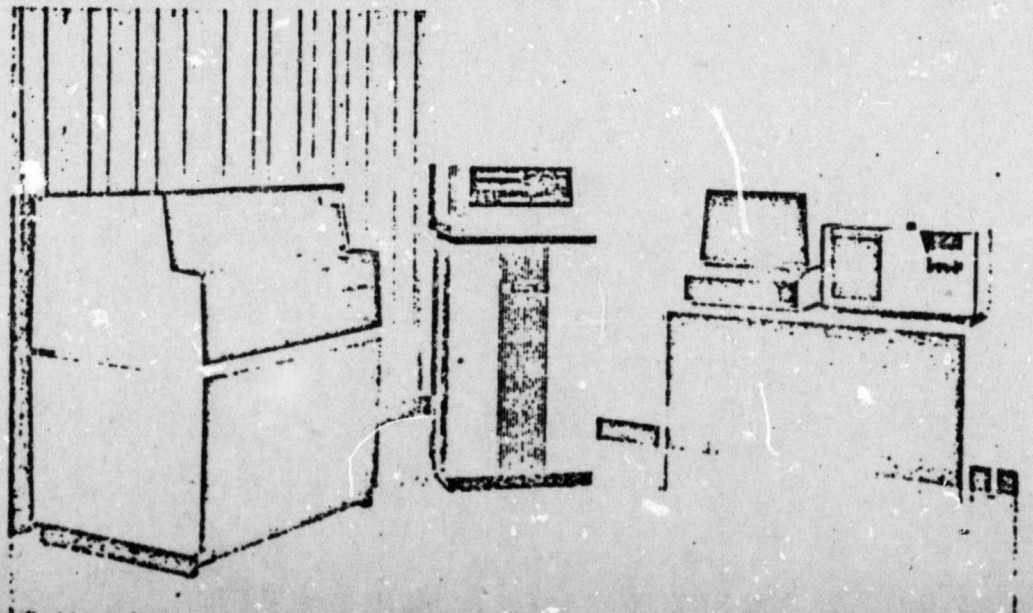
The product announcement for the ATRON Datamanager Terminal Family was made in October 1970 and, prior to the announcement, terminals were delivered to three customers. Our first terminal was placed into operation in Washington, D.C. in June 1970 and operates with an IBM 360/65 central site. Also, one customer site is operational with the CDC 200 User software package, which *Atron* provided for the terminal. This particular terminal operates into a central site which has a CDC 6600 large-scale computer system.

Because the *Atron* product family of terminals uses predominantly MDS peripheral devices, MDS has agreed to selectively assist *Atron* in our customer support needs — under contract — during the development period of our internal customer services organization.

Numerous software products were also developed and released by *Atron* during FY 1970. The ATRON assembler, for example, operates under the IBM DOS operating system, is coded in the BAL language, and also operates on several *Atron* system configurations. Other software products developed and in use include: utility routines, a card-to-print and tape-to-print report generator, and an IBM 2780 communications package for remote batch terminal operations under IBM 360 RJE and HASP.



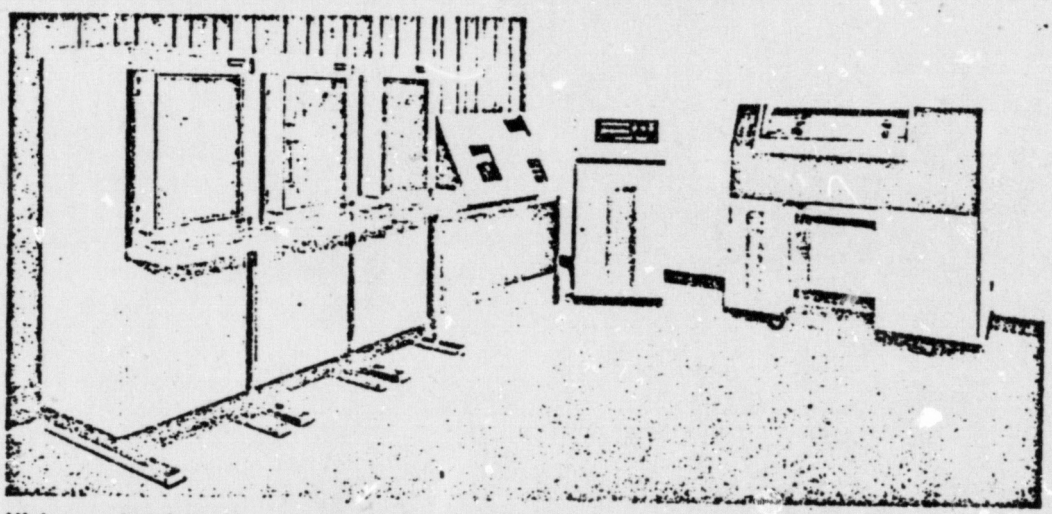
Checkout of 501 and interfaces for Off-Line Print Stations.



501 Datamanager Terminal with off-line tape [illegible] and ASR

Defendants' Exhibit O

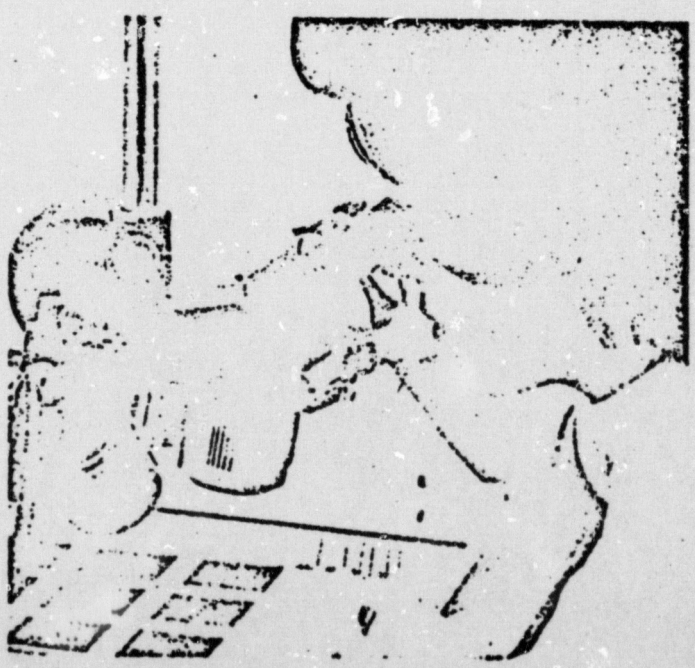
ATRON PRODUCTS UNDER DEVELOPMENT:



High-speed peripheral system for the 501 Datamanager.

Atron started a significant number of new product developments in FY 1970. For example, the development of low- and high-speed peripheral subsystems was started in FY 1970, and these new subsystems will be available to our customers in FY 1971. The release of the low- and high-speed peripheral subsystems will extend *Atron*'s terminal system coverage over a wide spectrum of capabilities and help us capitalize on existing requirements in the terminal market.

Another important *Atron* product, a low-speed multiplexer, is currently under development and will be available in the first half of FY 1971. The low-speed multiplexer will extend the



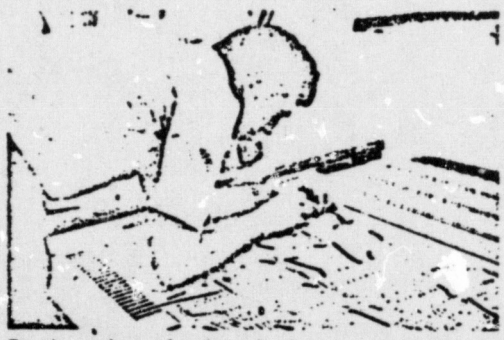
Inspection of core memory — a quality control procedure prior to installation.

Defendants' Exhibit O

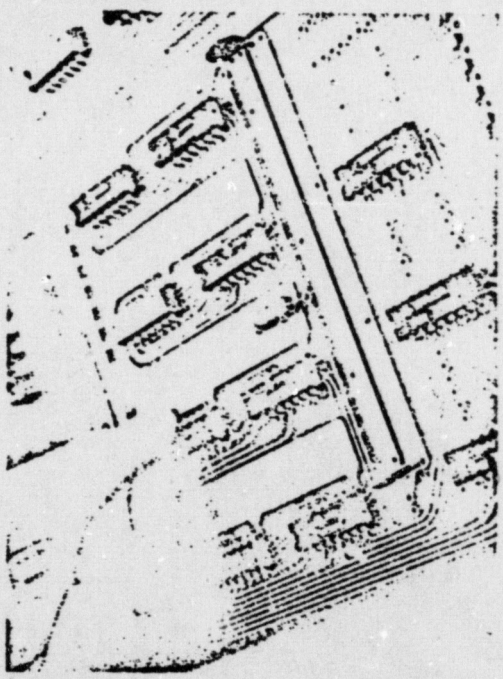
flexibility of the 501 Datamanager computer in special and communications applications.

Analysis and development were undertaken during FY 1970 in the field of low-cost, flexible peripheral controllers for the OEM market. This product has been shown to selected customers and will also be presented at the New York IEEE show in the spring. The design concept for the peripheral controllers permits a modular selection of elements, thus a controller can be tailored to a customer's exact needs at a minimum cost. Should the customer have several controller requirements, he not only gains flexibility with ATRON controllers but also retains element, support, and process commonality.

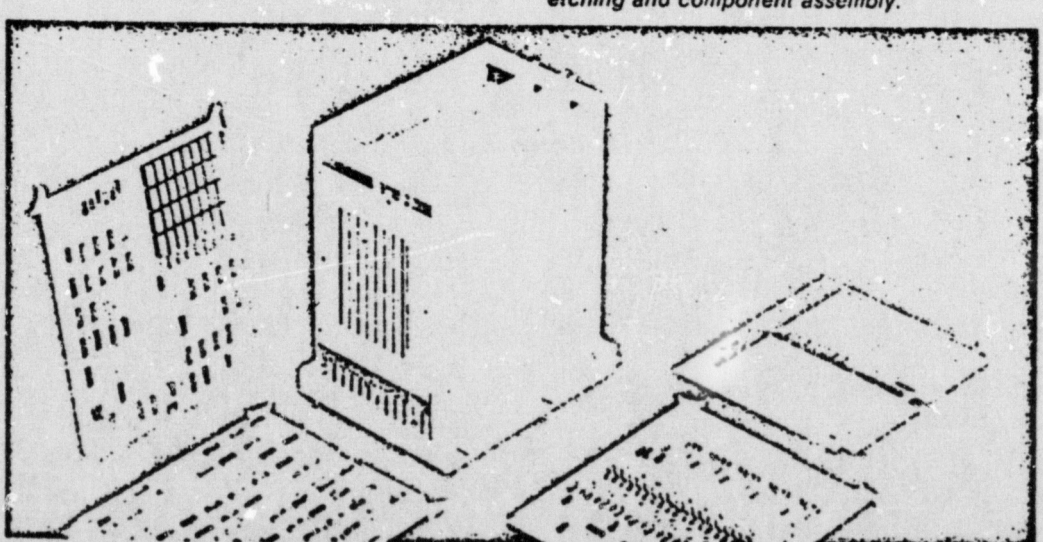
Strong software product development will continue in FY 1971. The programmability of our systems is a major attribute in both the OEM market and the End User terminal market. *Atron*'s 200 User software package, which is already operational with a CDC 6600 large-scale computer at the University of Minnesota, is being developed as part of our product line and will be deliverable early in FY 1971. Also available during the year are a UNIVAC 1004 communications package and other standard communications software packages.



Engineering of printed-circuit cards before photo-etching.



Printed-circuit card pluggable assembly after etching and component assembly.



ATRON 601 Controllers — application-tailored from a set of standard, pluggable, PC card assemblies.

Defendants' Exhibit O

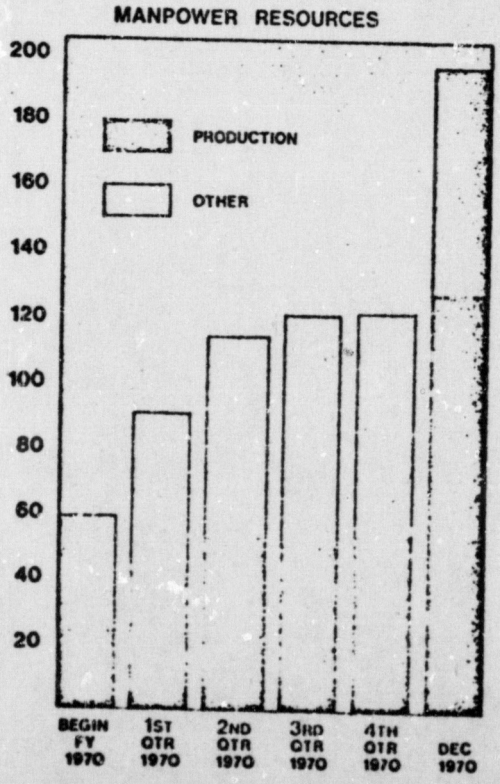
PERSONNEL AND FACILITIES

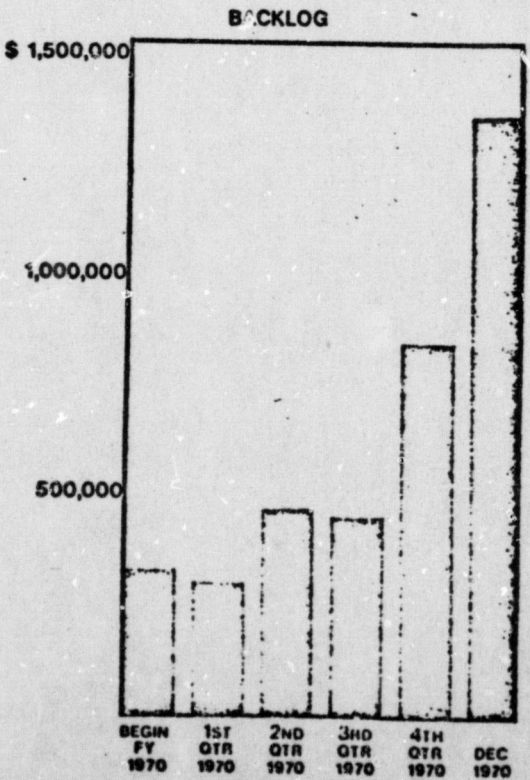
Two changes in the *Atron* Board of Directors were made in FY 1970. Mr. Richard Rifenburgh resigned because of his increased workload in his new responsibilities as President of Mohawk Data Sciences Corp. Mr. Richard L. Karpen, Executive Vice President of MDS, was elected to fill that vacancy. Mr. Jeffrey Weiss of Ladenburg, Thalmann and Co. was elected to the Board to fill the vacancy created by the resignation of Mr. Pierre J. LeLandais.

Mr. Mark M. Koschmann was appointed Vice President of Marketing and Systems, and Mr. Robert J. Gountanis was appointed Vice President of Marketing. These appointments add strength to *Atron's* marketing thrust by combining the essential contributing elements of systems and programming under single executive direction.

At the beginning of FY 1970, the *Atron* Corporation had 59 employees. Total employment increased to 121 by the end of the fiscal year. The company has developed a highly qualified organization, which is well balanced in development, manufacturing, marketing, and administration. Over the past fiscal year, manpower has been added primarily in Marketing, Customer Services and Support, and Production. With a view to the rising backlog, production employment will increase significantly in the first half of FY 1971. Additions to the Marketing and Customer Services elements can also be expected — consistent with the overall growth performance during the next year.

The company facility, 1256 Trapp Road, St. Paul, Minn., was expanded to 30,000 square feet and occupation will be complete in the first quarter of FY 1971. The added space is being devoted primarily to unit production and system checkout. In addition to its St. Paul facility, the company has opened sales offices in Boston, Dallas, San Francisco, and Minneapolis.





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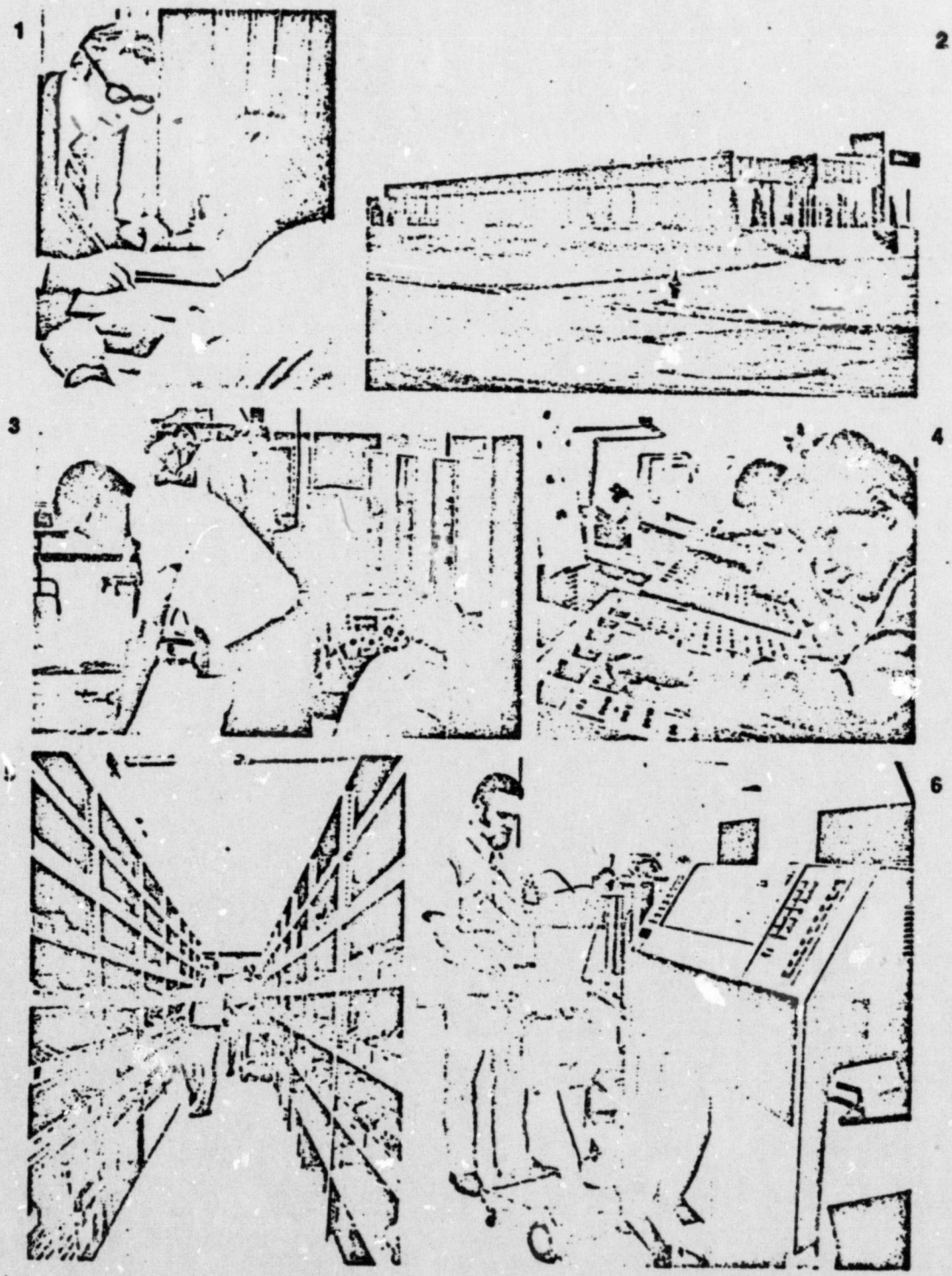

1. *Operations — planning and review — a constant activity.* 2. *Headquarters facilities — St. Paul.* 3. *Magnetic tape units during testing prior to shipment.* 4. *Printed-circuit assembly in a section of Atron's production facilities.* 5. *Manufacturing parts crib -- control and flow to the assembly floor.* 6. *Checkout of an Off-Line Print Station before shipment to a customer.*

FINANCIAL:

BALANCE SHEET

ASSETS

	September 30, 1970	1969
Current assets:		
Cash	$ 30,270	$ 745,094
Temporary investments, at cost plus accrued interest, approximating market (Note 2)	3,079,020	—
Accounts receivable (net of allowance for doubtful accounts — $4,500, 1970; $100, 1969)	333,411	8,106
Costs recoverable under design contracts	—	19,280
Inventories, at the lower of average cost or market:		
Finished goods	54,493	—
Work in process	174,219	35,727
Raw material and components	269,619	44,792
Prepaid expenses	11,030	2,165
Total current assets	3,952,062	855,164
Rental and demonstration equipment, at cost less accumulated depreciation of $5,830 (Note 3)	81,568	—
Equipment, furniture and leasehold improvements, at cost (Note 3):		
Plant and engineering equipment	193,290	52,299
Office furniture and equipment	58,561	26,527
Leasehold improvements	15,623	12,190
	267,474	91,016
Less accumulated depreciation	23,012	1,864
	244,462	89,152
Unrecovered promotional and developmental costs, net of amortization of $161,609 (Note 1)	323,219	484,828
	$4,601,311	$1,429,144

The accompanying notes are an integral part of the financial statements.

Defendants' Exhibit O

BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 30, 1970	1969
Current liabilities:		
Accounts payable	$ 201,387	$ 62,823
Accrued salaries, wages and vacation pay	75,476	30,677
Payroll taxes withheld	12,972	6,622
Accrued taxes, other than income	14,536	3,089
Total current liabilities	304,371	103,211
Commitments (Note 4)		
Stockholders' equity (Notes 5 and 6):		
Common shares, par value $.20 per share:		
Authorized, 1,500,000 shares Issued, 1,093,323 shares — 1970; 792,500 shares — 1969	218,665	158,500
Capital contributed in excess of par value	5,169,579	1,171,433
Deficit	(1,087,304)	—
	4,300,940	1,329,933
Less 6,500 shares held in treasury, at cost (unchanged)	4,000	4,000
	4,296,940	1,325,933
	$4,601,311	$1,429,144

The accompanying notes are an integral part of the financial statements.

Defendants' Exhibit O

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended September 30, 1970

Source of Funds:		
Proceeds from sale of 150,000 units consisting of two common shares and a warrant to purchase one common share, net of costs of $58,335 incurred during the year ended September 30, 1970		$4,056,665
Proceeds from the sale of common shares pursuant to the exercise of stock options		1,646
		$4,058,311
Application of Funds:		
Net loss for the year	$1,087,304	
Less non-cash items:		
Amortization of unrecovered promotional and developmental costs	161,609	
Depreciation	27,082	898,613
Additions to equipment, furniture, leasehold improvements and rental and demonstration equipment		263,960
Increase in working capital		2,895,738
		$4,058,311

STATEMENT OF OPERATIONS AND DEFICIT

Year Ended September 30, 1970

Sales (Note 7)		$ 812,466
Service and rental income (Note 7)		83,017
		895,483
Cost of sales	$ 608,606	
Cost of service and rental income	70,985	679,591
Gross profit		215,892
Expenses:		
Product development	624,092	
Selling, general and administrative	729,136	
Amortization of developmental costs	161,609	1,514,837
Operating loss		(1,298,945)
Other income:		
Interest	210,167	
Miscellaneous	1,474	211,641
Net loss for the year and deficit		$(1,087,304)
Net loss per common share (Note 8)		$(1.10)

The accompanying notes are an integral part of the financial statements.

Defendants' Exhibit O

STATEMENT OF COMMON SHARES AND CAPITAL CONTRIBUTED IN EXCESS OF PAR VALUE

From Incorporation, November 27, 1968 to September 30, 1970

	Number of shares	Par value of common shares	Capital contributed in excess of par value
Issued 1,425,000 common shares, $.10 par value	1,425,000	$ 142,500	$ 738,750
Effect of 1-for-2 reverse split on July 31, 1969	(712,500)		
	712,500	142,500	738,750
Sale of 80,000 common shares, $.20 par value	80,000	16,000	484,000
Sale of warrants to purchase 20,000 common shares			2,000
	792,500	158,500	1,224,750
Less expenses incurred during the period related to:			
Issuance of common shares			(38,316)
Registration of 150,000 units			(15,001)
Balance, September 30, 1969	792,500	158,500	1,171,433
Sale of 150,000 units consisting of two common shares and a warrant to purchase one common share, net of related expenses incurred during the year of $58,335	300,000	60,000	3,996,665
Sale of common shares pursuant to exercise of options	823	165	1,481
Balance, September 30, 1970	1,093,323	$ 218,665	$5,169,579

The accompanying notes are an integral part of the financial statements.

Defendants' Exhibit O

NOTES TO FINANCIAL STATEMENTS

September 30, 1970

1. *UNRECOVERED PROMOTIONAL AND DEVELOPMENTAL COSTS*

The Company was incorporated in Minnesota on November 27, 1968.

To September 30, 1969, the Company engaged in arranging for facilities, developing operating and administrative procedures, and developing its initial products. These costs totalled $484,828 (net of $24,958 in revenues during the pre-operating stage).

The Company commenced amortization of these costs on October 1, 1969, when regular production began. The Company intends (subject to revision, if necessary) to amortize fully these costs over a period of 36 months. Amortization for the year ended September 30, 1970 totalled $161,609. Since October 1, 1969, the Company has charged all additional product development to operations.

2. *TEMPORARY INVESTMENTS*

During the period from incorporation to September 30, 1970, the Company has invested funds received from the sales of common shares, not immediately required for corporate purposes, in United States Government securities, certificates of deposit, and other corporate indebtedness. As of September 30, 1970, temporary investments included $2,237,954 of certificates of deposit, $101,319 of United States Treasury bills, both at cost plus accrued interest, and non-transferable participation certificates totalling $700,000 plus accrued interest of $39,747, which latter figures represent participations with a bank in unsecured short-term corporate notes maturing to December 28, 1970.

3. *EQUIPMENT, FURNITURE, AND LEASEHOLD IMPROVEMENTS*

It is the policy of the Company to provide depreciation on equipment, furniture, and leasehold improvements by charges to operations, computed on the straight-line method, over their estimated useful lives as follows:

Rental and demonstration equipment	4 years
Plant and engineering equipment	4- 8 years
Office furniture and equipment	8 years
Leasehold improvements	3-10 years

The Company charges operations with the cost of maintenance and repairs. Renewals and betterments are capitalized. On retirement or sale, the difference between cost less accumulated depreciation and the proceeds therefrom, is charged or credited to operations.

4. *COMMITMENTS*

The Company leases its office, engineering, and manufacturing facilities under a lease which runs to December 31, 1979, with options to renew for two successive ten-year periods with annual payments aggregating $32,500 plus real estate taxes, insurance, repairs, and maintenance. The Company has an option to purchase this property in 1979 at the greater of $314,500 or the fair market value of the land and buildings as determined by arbitration.

The Company requested the lessor to construct a 10,000 square foot expansion to the building, which addition was substantially completed in November, 1970. The increase in annual rental as a result of this addition is expected to be approximately $17,000, and the stated purchase price is expected to increase by approximately $150,000.

In addition, the Company has entered into leases covering sales offices as follows:

Location	Term	Expiration Date	Annual Rental
Bloomington, Minn.	One year	2/28/71	$ 5,481
Waltham, Mass.	Three years	3/31/73	7,148
Dallas, Texas	Three years	2/28/73	8,688
			$21,317

Defendants' Exhibit O

NOTES TO FINANCIAL STATEMENTS (Continued)

5. *STOCKHOLDERS' EQUITY*

On September 17, 1969, the Company sold for $1,000 each two Special Warrants to purchase 10,000 common shares each. The Special Warrants have an eight-year term. One Special Warrant provides for a purchase price of $15.00 per share and the other provides for a purchase price of $6.25 per share during the first five years and $15.00 per share during the following three years.

On January 23, 1970, the Company sold 150,000 units, each consisting of two common shares and a warrant to purchase one common share. The warrants are exercisable at any time prior to January 31, 1975 at an exercise price of $17.00 per share, subject to adjustment for anti-dilution and other provisions. None of the above warrants have been exercised.

6. *STOCK OPTIONS*

Pursuant to a Stock Option Plan adopted in December, 1968, authorizing the granting of 50,000 options to purchase common shares, options for 37,600 shares have been granted to key employees to September 30, 1970, at prices ranging from $2.00 to $15.00 per share. Options for 823 shares were exercised at a price of $2.00 per share and options for 938 shares were cancelled. At September 30, 1970, 35,839 options were outstanding at prices ranging from $2.00 to $15.00 per share, and options for 13,338 shares were available for grants under the plan. As of September 30, 1970, 49,177 shares were reserved for issuance under the plan.

7. *PRINCIPAL CUSTOMER*

Sales and services to the Company's principal customer, Mohawk Data Sciences Corporation, totalled $834,539 for the year ended September 30, 1970.

8. *NET LOSS PER COMMON SHARE*

Net loss per common share has been computed on the basis of average shares outstanding during the year. Exercise of options and warrants has not been assumed, since such assumption would result in a lesser loss per share.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders
of the *Atron* Corporation:

We have examined the balance sheet of *Atron* Corporation as of September 30, 1970, and the statements of operations and deficit, common shares and capital contributed in excess of par value, and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accompanying financial statements show as an asset unrecovered promotional and developmental costs, net of amortization, of $323,219 referred to in Note 1 to the financial statements. Recovery of these costs is dependent upon the future success of operations.

In our opinion, subject to the future realization of the item referred to in the preceding paragraph, the statements identified above present fairly the financial position of *Atron* Corporation at September 30, 1970 and the results of its operations, the changes in common shares and capital contributed in excess of par value, and the source and application of funds for the year then ended, in conformity with generally accepted accounting principles.

HURDMAN AND CRANSTOUN, PENNEY & CO.

New York, New York
December 3, 1970

Defendants' Exhibit O

ATRON CORPORATION

1256 TRAPP ROAD·ST. PAUL, MINNESOTA 55118

ANNUAL REPORT
1970

Defendants' Exhibit R

RECEIVED MAR 12 1971

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK
23 WALL STREET, NEW YORK, N.Y. 10015

New York March 10, 1971

Mr. Joseph S. Stoutenburgh
President
Atron Corporation
1256 Trapp Road
St. Paul, Minnesota 55118

Dear Joe:

Thank you again for meeting with me on February 26th. Our discussions were most helpful in broadening my knowledge of the EDP industry and your place in it.

You can expect Morgan Guaranty to support your efforts to affect the merger of Atron and MDS.

Hope to see you again soon.

Sincerely,

Steve

Stephen K. Laird
Investment Research Officer

THE REUTER-ULTRONI REPORT

THE ULTRONIC RT

THE REUTER-ULTRONIC REPORT

E REUTER-ULTRONIC REPORT

BY BRIAN G. DOBSON Defendants' Exhibit T

NEW YORK, APRIL 19 - MOHAWK DATA SCIENCES CORP EXPECTS THIRD QUARTER NET TO BE ABOUT HALF THE 40 CENTS IT EARNED IN THE YEAR-EARLIER PERIOD, WAYNE WELLS, VICE PRESIDENT AND TREASURER, SAID IN AN INTERVIEW.

HE SAID PROFITS WERE HURT BY LARGE EXPENDITURES IN DEVELOPMENT OF THE RECENTLY-INTRODUCED 2400 COMPUTER SERIES. FISCAL 1970S RESULTS SHOULD BEGIN TO BENEFIT FROM MARKETING THE 2400, HE SAID.

ON MAY FOUR MOHAWK WILL DISCLOSE THE ORDER RATE FOR THE NEW SERIES AT A MEETING OF SECURITY ANALYSTS AT KING OF PRUSSIA, PA. WELLS SAID THE FIRM IS "PLEASED" WITH THE ORDER RATE BUT WOULD NOT BE SPECIFIC. DELIVERIES OF THE SERIES ARE SET FOR LATE FISCAL 1971.

THE 2400 SERIES HAS A WIDE RANGE OF PERIPHERALS AND IS INTERFACED WITH AN ATRON 501 DATAMANAGER COMPUTER. IT IS BUILT FOR USE WITH THIRD GENERATION COMPUTERS AND WILL COMPETE WITH THE NEW IBM SYSTEM 370 CYCLE.

MOHAWK DATA AGREED TO ACQUIRE ATRON CORP IN JANUARY. ATRON SHAREHOLDERS WILL VOTE ON THE PROPOSED MERGER AT A SPECIAL MEETING ON APRIL 30. LAST YEAR, MOHAWK PURCHASES ACCOUNTED FOR ABOUT 90 PCT OF ALTONS SALES OF 895,483 DLRS. ALTRON HAD A NET LOSS IN FISCAL 1970 OF 1.1 MLN DLRS.

THE COMPANY IS ALSO NEGOTIATING THE ACQUISITION OF COLORADO INSTRUEMENTS INC, WHOSE MAIN PRODUCT IS A SOURCE DATA COLLECTION SYSTEM. COLORADO HAD SALES OF 1,286,616 DLRS AND A NET LOSS OF 101,479 DLRS IN FISCAL 1970. SHAREHOLDERS OF COLORADO WILL VOTE ON THE PROPOSED MERGER IN LATE MAY.

MORE

MOHAWK (3)

WELLS SAID MOHAWK RECENTLY ESTABLISHED A 5M MLN DLRS BANK LINE BUT ADDED THAT IF THE 2400 IS SUCCESSFUL, THEN OTHER MEANS MAY BE USED TO RAISE ADDITIONAL CAPITAL TO FINANCE EXPENDED PRODUCTION.

WELLS SAID THAT IN SPRING 1970 MOHAWK WILL MARKET A 2000 LINE TRAIN A MINUTE PRINTER. "IBM AND MOHAWK WILL BE THE ONLY ONES WITH IT," HE CLAIMED.

Defendants' Exhibit T

THE REUTER-ULTRONIC REPORT

THE REUTER-ULTRONIC REPORT

THE REUTER-ULTRONIC REPORT

THE COMPANY ALSO PLANS A NEW LINE OF TAPE DRIVES FOR ORIGINAL EQUIPMENT MANUFACTURERS AN IS ALSO CONSIDERING PLUG TO PLUG TAPE DRIVES WHICH CAN BE SUBSTITUTED FOR IBM

EQUIPMENT.

WELLS SAID THE COMPANYS RECENTLY-MARKETED CLUSTER KEYBOARD HAS RECEIVED "A GREAT DEAL OF CUSTOMER INTEREST IN THE LAST 60 DAYS AND WE ARE VERY BULLISH FOR THE OUTLOOK FOR THIS SYSTEM."

MORE

MOHAWK (4)

THE FIRM IS OPTIMISTIC ON EXPANSION OF ITS RENTAL BASE BECAUSE IT CONTINUED TO GROW IN A WEAK ECONOMY EVEN THOUGH SOME ANALYSTS NOTE THAT GROWTH IS AT A DECREASING RATE OF GAIN.

MOHAWK HAS BEEN SELLING ABOUT ONE MLN DLRS WORTH OF EQUIPMENT TO LEASERS EACH QUARTER AND OTHER THIRD-PARTY BUYERS, SINCE AUGUST ONE, 1969.

"WE ARE CONSIDERING DISCONTINUING THE THIRD PARTY SALES AFTER THIS FISCAL YEAR BECAUSE IT PENALIZES OUR GROWTH AND RENTAL INCOME. WITH THE ADVENT OF THE 2400 SYSTEM WE MAY NOT NEED THE THIRD PARTY SALES" TO SUPPLEMENT INCOME, WELLS SAID.

MOHAWK DATE CURRENTLY HAS ITS LARGEST EVER DOLLAR INCREASE IN END-USER BACKLOG FOR RENTAL BUSINESS, HE SAID. "WE FEEL COMFORTABLE THT BUSINESS HAS TURNED AROUND.

MORE

MOHAWK (5)

WELLS NOTED THAT THE COMPANY IS NO LONGER HAVING TROUBLE MAKING INSTALLATIONS DUE TO CUSTOMER DELAY. THE COMPANY IS MAKING INSTALLATIONS ON AN "AS CONTRACTED" BASIS, HE NOTED.

ON MOHAWKS OLDER PRODUCTS AND ITS NEW 2400 SERIES, THE COMPANY HAS BEEN SIGNING LONGER-TERM LEASES, SUCH AS TWO TO FIVE YEARS, AS OPPOSED TO ONE YEAR OR THE ALMOST "CANCELLATION-AT-WILL" TYPE OF PACTS WHICH "TYPIFY BUSINESS IN THE COMPUTER INDUSTRY," WELLS SAID.

Defendants' Exhibit V

MINUTES OF MEETING
OF
BOARD OF DIRECTORS
OF
ATRON CORPORATION

A meeting of the Board of Directors of ATRON was held at the Thunderbird Motel in Bloomington, Minnesota at 9:30 a.m. on Tuesday, August 18, 1970. All directors were in attendance. These included the following:

J. S. Stoutenburgh
D. C. Stanga
M. M. Koschmann
R. L. Karpen
J. Weiss

Mr. Stoutenburgh acted as Chairman of the meeting and Mr. Stanga acted as Secretary of the meeting.

Reference is made to the minutes of the July 14, 1970 Board of Directors Meeting wherein it was decided that a review of the company's business plan would be undertaken at the next Board of Directors Meeting.

Mr. Stoutenburgh opened the meeting with the following remarks:

> "The company has operated within its planned operating expenses year to date. Sales have not approached the planned level. The resulting loss per month variance is the subject for review at this Board Meeting.
>
> "The Board is presented with a review of overall operations to date, along with additional facts and assumptions in regard to market, projections, and plans in a form convenient to discussion and orderly consideration of alternate courses of action, and consequences.
>
> "It is desired to identify the best selection of courses of action to be taken based on the information available and developed through discussion, to identify additional information mandatory to consideration of other alternatives and to establish a time for the next Board Meeting for subsequent review as required."

Defendants' Exhibit V

A discussion took place regarding general market and economic trends as well as ATRON's hardware and software product mix and the general capability of the marketing force.

Breakeven projections were presented for FY71 projected sales volume of $2, $3 and $4 million with related monthly expense rates of $80,000 ($120,000 first three months of FY71); $120,000 and $160,000, respectively. In each case the breakeven point was achieved early in the fourth quarter of FY71.

No specific action was taken by the Board in the selection of a business plan. Rather, it was decided to prepare additional information regarding the sales potential data for review of our marketing position in approximately thirty days at the next Board of Directors Meeting. Mr. Mark Koschmann, who was appointed Vice President of Marketing and Systems, filling the vacancy created by Mr. Germaine's resignation as Vice President of Marketing, will prepare the marketing position presentation. At that time a more definitive selction of the company's business plan for FY71 can be made by the Board of Directors.

During the meeting several resolutions were approved and adopted:

RESOLVED, that the resignation of Mr. Jack Germaine as Vice President of Marketing as of August 19, 1970 is hereby accepted effective as of the date thereof. Letter of resignation attached.

RESOLVED, that Mr. Mark Koschmann is hereby re-designated Vice President of Marketing and Systems and Mr. Robert Countanis is hereby appointed Vice President of Marketing reporting to Mr. Koschmann.

Defendants' Exhibit V

WHEREAS, it is desirable that the shares held in the company's treasury be transferred upon exercise of employee stock options and for other corporate purposes;

NOW, THEREFORE, BE IT RESOLVED, that the President or a Vice President and the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer be and they hereby are authorized and directed to sell, assign and transfer all stock and registered securities owned or held by this Company in any capacity, and to execute such assignments and powers of attorney as may be necessary, proper or convenient to accomplish any such sale, assignment or transfer.

There being no further business to come before the meeting, it was on motion duly made, seconded and adopted, adjourned.

Dennis C. Stanga
Dennis C. Stanga
Assistant Secretary

ATTEST:

J. S. Stoutenburgh
J. S. Stoutenburgh
Chairman

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Defendants' Exhibit V

ATRON CORPORATION/1256 TRAPP ROAD·ST. PAUL, MINNESOTA 55118

August 19, 1970

Board of Directors
ATRON CORPORATION
1256 Trapp Road
St. Paul, Minnesota 55118

Gentlemen:

Please accept my resignation as Vice President of Marketing effective immediately.

I accept the appointment as Staff Assistant to the President for Special Programs.

Yours very truly,

Jack H. Germaine

JHG/en

Defendants' Exhibit V

MINUTES OF THE REGULAR MEETING OF BOARD OF DIRECTORS OF ATRON CORPORATION

A meeting of the Board of Directors of ATRON Corporation was held at the ATRON Minneapolis District Sales Office located in the Metro Office Park in Bloomington, Minnesota at 9:30 a.m. on Friday, September 18, 1970. All directors were in attendance. These included the following:

J. S. Stoutenburgh
D. C. Stanga
M. M. Koschmann
R. L. Karpen
J. Weiss

Mr. Stoutenburgh acted as Chairman of the meeting and Mr. Stanga acted as Secretary of the meeting.

Reference is made to the minutes of the August 18, 1970 Board of Directors Meeting wherein it was decided that before the selection of a business plan by the Board that additional information regarding the Sales data was required. Mr. Koschmann presented the ATRON Market Strategy which included the identification of $2.2 million in FY71 shipments (assuming sale to a third party leasing company of 40 terminals at approximately $25,000 per terminal), over and above the MDS shipments which are assumed to be $1.5 million or above for FY71. A presentation of ATRON's strategy for entering the terminal market was also made.

At the conclusion of discussions regarding the Sales program, Mr. Stoutenburgh suggested that the company's Sales target for FY71 be established at the $3 million level and that an operating

expense level (including amortization of promotional and development expense) be established at a level not to exceed $135,000 per month. (Reference is made to the "BREAKEVEN PROJECTION - FY71 SALES $3M" contained in the handout of the 18 August 1970 Board of Directors Meeting.) There being no further discussion to the contrary, these figures will be used as the guidelines for FY71 budget development.

Several proposals for acquisitions were discussed and will be investigated further as to desireability.

During the meeting several resolutions were approved and adopted:

WHEREAS, it may be necessary to sell off equipment leases to a third party in order to adjust FY71 revenues;

NOW, THEREFORE, BE IT RESOLVED, that the Treasurer may sell up to $1 million worth of terminal systems to a third party as required. (This constitutes approximately 40 systems.)

RESOLVED, that the Treasurer is hereby authorized to open an additional account at the company's primary bank, The First National Bank of Saint Paul, for the purposes of separating the general and payroll accounts.

ALSO RESOLVED, that The First National Bank of Saint Paul is hereby authorized to honor checks drawn on either of the company's bank accounts which have been machine signed.

There being no further business to come before the meeting, it was on motion duly made, seconded and adopted, adjourned.

Dennis C. Stanga

Dennis C. Stanga
Assistant Secretary

ATTEST:

J. S. Stoutenburgh
Chairman

Defendants' Exhibit V

Minutes of Special Meeting
of
Board of Directors
of
Atron Corporation

A special meeting of the Board of Directors of Atron Corporation was held at the office of the corporation at 3050 Metro Park, Bloomington, Minnesota, on Tuesday, November 10, 1970, at 9:30 a.m. pursuant to notice duly given to all directors.

All of the directors were present. Mr. Stoutenburgh acted as Chairman of the meeting and Mr. George P. Flannery acted as Secretary of the meeting.

The Chairman reported that Comserv Corporation was preparing to make a proposal that Atron Corporation acquire the business of Comserv. The operations of Comserv were reviewed and it was the consensus that Atron Corporation was not interested in acquiring that business.

The Chairman stated that the corporation was investigating Astrocom Corporation as a possible acquisition. After reviewing the matter it was decided to defer action on this proposal.

The directors next reviewed projections for fiscal year 1971.

The date for the annual meeting of shareholders was next considered. After discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED, that the annual meeting of shareholders shall be held on January 27, 1971 at an hour and place to be selected by the President and that the record date for the determination of shareholders entitled to notice of and to vote at the meeting shall be the close of business on December 23, 1970.

The Board next considered increasing the authorized number of Common Shares of the corporation. After discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

> RESOLVED, that it is hereby recommended that Article V of the Articles of Incorporation of this corporation as heretofore amended be further amended to increase the authorized number of shares of this corporation from 1,500,000 shares to 5,000,000 shares, which shall be Common Shares of the par value $.20 each,

Defendants' Exhibit V

FURTHER RESOLVED, that said proposed amendment to the Articles of Incorporation shall be presented for adoption at the annual meeting of shareholders to be held January 27, 1971.

The Board next discussed increasing the number of shares available under the corporation's Qualified Stock Option Plan. After discussion, upon motion duly made and seconded, the following resolution was unanimously adopted.

RESOLVED, that Section 2 of the Qualified Stock Option Plan of the corporation is hereby amended to increase the aggregate amount of the stock which may be delivered upon exercise of options granted under the Plan to 75,000 Common Shares, par value $.20 per share.

FURTHER RESOLVED, that said amendment to the Qualified Stock Option Plan of the corporation shall be presented to the shareholders of the corporation for approval at the annual meeting to be held January 27, 1971.

There being no further business to come before the meeting, it was upon motion duly made, seconded and adopted, adjourned.

George P. Kenney
Secretary

ATTEST:

Joseph D. Tomlinson
Chairman

DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		January 4, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	Mayer & Schweitzer, Inc. NY	212 WH4 6030	7 3/8	7 5/8	13035
	John G. Kinnard & Co. Mnpls	612 333 1199	7 3/8	7 7/8	
	Sherwood Secs Corp. NY	212 425 0300	7 1/8	7 5/8	
	* A. P. Montgomery & Co. NY	212 483 0100	7 1/4	7 3/4	11061
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 3/8	7 3/4	
	G. A. Saxton & Co. Inc. NY	212 483 1282	7 1/4	7 3/4	
	Reich & Co. Inc. NY	212 HA5 5020	7 1/8	7 5/8	
	P. R. Peterson Co. Mnpls	612 332 1427	7 3/8	7 7/8	
	* M. S. Wien & Co. Inc. J CY	212 BA7 4300	7 3/8	7 7/8	392
	F. O. Baroff Co. Inc. NY	212 233 9077	7 1/8	7 5/8	
ATRON CORP. UTS.	John G. Kinnard & Co. Mnpls	612 333 1199	17 1/2	19	
	* A. P. Montgomery & Co. NY	212 483 0100	17 1/2	19	11061
	Sherwood Secs Corp. NY	212 425 0300	17 1/2	19	
	G. A. Saxton & Co. Inc. NY	212 483 1282	17 1/2	19	
	Reich & Co. Inc. NY	212 HA5 5020	18	19 1/2	
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	2 3/4	3 1/4	
	* A. P. Montgomery & Co. NY	212 483 0100	3	3 1/2	11061
	Sherwood Secs Corp. NY	212 425 0300	2 7/8	3 3/8	
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 7/8	3 3/8	
	Reich & Co. Inc. NY	212 HA5 5020	3	3 1/2	
		* * *			

DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — January 5, 1971 — NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	G. A. Saxton & Co. Inc. NY	212 483 1282	7 1/4	7 3/4	
	Reich & Co. Inc. NY	212 HA5 5020	7	7 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	7 1/4	7 3/4	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 3/8	7 3/4	
	* A. P. Montgomery & Co. NY	212 483 0100	7 1/4	7 3/4	11061
	Sherwood Secs Corp. NY	212 425 0300	7 1/8	7 5/8	
	* Mayer & Schweitzer Inc. NY	212 WH4 6030	7 1/8	7 5/8	13035
	F. O. Baroff Co. Inc. NY	212 233 9077	7 1/8	7 5/8	
	* M. S. Wien & Co. Inc. J CY	212 BA7 4300	7 1/8	7 5/8	9392
	P. R. Peterson Co. Mnpls	612 332 1427	7 3/8	7 7/8	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	17 1/2	19	
	Reich & Co. Inc. NY	212 HA5 5020	17	18 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	17 1/2	19	
	* A.P. Montgomery & Co. NY	212 483 0100	17 1/2	19	11061
	Sherwood Secs Corp. NY	212 425 0300	17 1/2	19	
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	2 7/8	3 3/8	
	Reich & Co. Inc. NY	212 HA5 5020	3	3 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	2 3/4	3 1/4	
	* A. P. Montgomery & Co. NY	212 483 0100	3	3 1/2	11061
	Sherwood Secs Corp. NY	212 425 0300	3	3 1/2	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		January 6, 1971	NATIONAL DAILY QUOTATION SERVICE		
	*				
ATRON CORP. COM.	* Mayer & Schweitzer Inc. NY	212 WH4 6030	6 7/8	7 3/8	13035
	* A. P. Montgomery & Co. NY	212 483 0100	7	7 1/2	11061
	Sherwood Secs Corp. NY	212 425 0300	7	7 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	7	7 1/2	
	Reich & Co. Inc. NY	212 HA5 5020	6 7/8	7 3/8	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 1/8	7 5/8	
	* M. S. Wien & Co. Inc. J CY	212 BA7 4300	6 3/4	7 1/4	9392
	P. R. Peterson Co. Mnpls	612 332 1427	7 3/8	7 7/8	
	F. O. Baroff Co. Inc. NY	212 233 9077	7	7 1/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	7 1/4	7 3/4	
ATRON CORP. UTS.	* A. P. Montgomery & Co. N.Y.	212 483 0100	17	18 1/2	11061
	Sherwood Secs Corp. NY	212 425 0300	17	18 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	17	18 1/2	
	Reich & Co. Inc. NY	212 HA5 5020	17	18 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	17 1/2	19	
ATRON CORP. WTS.	* A. P. Montgomery & Co. NY	212 483 0100	3	3 1/2	11061
	Sherwood Secs Corp. NY	212 425 0300	3	3 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 3/4	3 1/4	
	Reich & Co. Inc. NY	212 HA5 5020	2 7/8	3 3/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	3	3 1/2	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK	January 7, 1971		NATIONAL DAILY QUOTATION SERVICE		
			* * *		
ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7	7 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	7 1/8	7 5/8	
	* Mayer & Schweitzer Inc. NY	212 WH4 6030	6 7/8	7 3/8	13035
	* A. P. Montgomery & Co. NY	212 483 0100	7	7	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	7	7 1/2	
	Reich & Co. Inc. NY	212 HA5 5020	7	7 1/2	
	Sherwood Secs Corp. NY	212 425 0300	7	7 1/2	
	F. O. Baroff Co. Inc. NY	212 233 9077	7	7 1/4	
	P. R. Peterson Co. Mnpls	612 332 1427	7 3/8	7 7/8	
ATRON CORP. UTS.	John G. Kinnard & Co. Mnpls	612 333 1199	17 1/2	19	
	G. A. Saxton & Co. Inc. NY	212 483 1282	17	18 1/2	
	Reich & Co. Inc. NY	212 HA5 5020	17	18 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	17	18 1/2	11061
	Sherwood Secs Corp. NY	212 425 0300	17	18 1/2	
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	3	3 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 3/4	3 1/4	
	Reich & Co. Inc. NY	212 HA5 5020	3	3 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	2 7/8	3 3/8	11061
	Sherwood Secs Corp. NY	212 425 0300	3	3 1/2	
			* * *		

DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — January 8, 1971 — NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	* Mayer & Schweitzer Inc. NY	212 WH4 6030	6 7/8	7 3/8	13035
	* A. P. Montgomery & Co. NY	212 483 0100	7	7 1/2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	7	7 1/2	
	Sherwood Secs Corp. NY	212 425 0300	7	7 1/2	
	Reich & Co. Inc. NY	212 HA5 5020	7	7 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	7	7 1/2	
	F. O. Baroff Co. Inc. NY	212 233 9077	6 7/8	7 1/8	
	* M. S. Wien & Co. Inc. J CY	212 227 4300			9392
	P. R. Peterson Co. Mnpls	612 332 1427	7	7 1/2	
ATRON CORP. UTS.	* A. P. Montgomery & Co. NY	212 483 0100	16 1/2	18	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	17	18 1/2	
	Sherwood Secs Corp. NY	212 425 0300	17	18 1/2	
	Reich & Co. Inc. NY	212 HA5 5020	17	18 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	17	18 1/2	
ATRON CORP. WTS.	* A. P. Montgomery & Co. NY	212 483 0100	2 7/8	3 3/8	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 3/4	3 1/4	
	Sherwood Secs Corp. NY	212 425 0300	3	3 1/2	
	Reich & Co. Inc. NY	212 HA5 5020	3	3 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	2 7/8	3 3/8	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK January 11, 1971 NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	John G. Kinnard & Co. Mnpls	612 333 1199	7	7 1/2	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 7/8	7 3/8	
	* Mayer & Schweitzer Inc. NY	212 WH4 6030	6 7/8	7 3/8	13035
	Sherwood Secs Corp. NY	212 425 0300	6 3/4	7 1/4	
	* A. P. Montgomery & Co. NY	212 483 0100	6 3/4	7 1/4	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	6 7/8	7 3/8	
	Reich & Co. Inc. NY	212 HA5 5020	6 3/4	7 1/4	
	F. O. Baroff Co. Inc. NY	212 233 9077	7	7 1/4	
	P. R. Peterson Co. Mnpls	612 332 1427	6 3/4	7 1/4	
ATRON CORP. UTS.	John G. Kinnard & Co. Mnpls	612 333 1199	17	18 1/2	
	Sherwood Secs Corp. NY	212 425 0300	16 1/2	18	
	* A. P. Montgomery & Co. NY	212 483 0100	16 1/2	18	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	17	18 1/2	
	Reich & Co. Inc. NY	212 HA5 5020	16 1/2	18	
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	3	3 1/2	
	Sherwood Secs Corp. NY	212 425 0300	3	3 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	2 3/4	3 1/4	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 3/4	3 1/4	
	Reich & Co. Inc. NY	212 HA5 5020	2 5/8	3	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK January 12, 1971 NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 7/8	7 3/8	
	* Mayer & Schweitzer Inc. NY	212 WH4 6030	6 3/4	7 1/4	13035
	* A. P. Montgomery & Co. NY	212 483 0100	6 3/4	7 1/4	11061
	Sherwood Secs Corp. NY	212 425 0300	6 3/4	7 1/4	
	Reich & Co. Inc. NY	212 HA5 5020	6 3/4	7 1/4	
	G. A. Saxton & Co. Inc. NY	212 483 1282	6 3/4	7 1/4	
	* M. S. Wien & Co. Inc. J CY	212 BA7 4300	6 3/4	7 1/4	9392
	P. R. Peterson Co. Mnpls	612 332 1427	6 3/4	7 1/4	
	F. O. Baroff Co. Inc. NY	212 233 9077	6 3/4	7 1/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	7	7 1/2	
ATRON CORP. UTS.	* A. P. Montgomery & Co. NY	212 483 0100	16 1/2	18	11061
	Sherwood Secs Corp. NY	212 425 0300	16 1/2	18	
	Reich & Co. Inc. NY	212 HA5 5020	16 1/2	18	
	G. A. Saxton & Co. Inc. NY	212 483 1282	16 1/2	18	
	John G. Kinnard & Co. Mnpls	612 333 1199	17	18 1/2	
ATRON CORP. WTS.	* A. P. Montgomery & Co. NY	212 483 0100	2 3/4	3 1/4	11061
	Sherwood Secs Corp. NY	212 425 0300	2 3/8	2 7/8	
	Reich & Co. Inc. NY	212 HA5 5020	2 5/8	3	
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 3/4	3 1/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	2 7/8	3 3/8	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK	January 13, 1971		NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	John G. Kinnard & Co. Mnpls	612 333 1199	6 7/8	7 3/8	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 7/8	7 3/8	
	* Mayer & Schweitzer Inc. NY	212 WH4 6030	6 3/4	7 1/4	13035
	Sherwood Secs Corp. NY	212 425 0300	6 5/8	7 1/8	
	* A. P. Montgomery & Co. NY	212 483 0100	6 7/8	7 3/8	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	6 3/4	7 1/4	
	Reich & Co. Inc. NY	212 HA5 5020	6 3/4	7 1/4	
	P. R. Peterson Co. Mnpls	612 332 1427	6 3/4	7 1/4	
	F. O. Baroff Co. Inc. NY	212 233 9077	6 3/4	7 1/4	
	* M. S. Wien & Co. Inc. J CY	212 BA7 4300	6 3/4	7 1/4	9392
ATRON CORP. UTS.	John G. Kinnard & Co. Mnpls	612 333 1199	16 1/2	18	
	Sherwood Secs Corp. NY	212 425 0300	16	17 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	16 1/2	18	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	16 1/2	18	
	Reich & Co. Inc. NY	212 HA5 5020	16 1/2	18	
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	2 7/8	3 3/8	
	Sherwood Secs Corp. NY	212 425 0300	2 3/4	3 1/8	
	* A. P. Montgomery & Co. NY	212 483 0100	2 7/8	3 3/8	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 3/4	3 1/4	
	Reich & Co. Inc. NY	212 HA5 5020	2 5/8	3	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		January 14, 1971	NATIONAL DAILY QUOTATION SERVICE		
	*	*	*		
ATRON CORP. COM.	P. R. Peterson Co. Mnpls	612 332 1427	6 3/4	7 1/4	
	* M. S. Wien & Co. Inc. J CY	212 BA7 4300	6 3/4	7 1/4	9392
	F. O. Baroff Co. Inc. NY	212 233 9077	6 3/4	7 1/4	
	* A. P. Montgomery & Co. NY	212 483 0100	6 3/4	7 1/4	11061
	Sherwood Secs Corp. NY	212 425 0300	6 1/2	6 7/8	
	G. A. Saxton & Co. Inc. NY	212 483 1282	6 1/2	7	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 7/8	7 3/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	6 7/8	7 3/8	
	Reich & Co. Inc. NY	212 HA5 5020	6 5/8	7 1/8	
	* Mayer & Schweitzer Inc. NY	212 WH4 6030	6 3/4	7 1/4	13035
ATRON CORP. UTS.	* A. P. Montgomery & Co. NY	212 483 0100	16 1/2	18 1/2	11061
	Sherwood Secs Corp. NY	212 425 0300	16	17 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	16 1/2	18	
	John G. Kinnard & Co. Mnpls	612 333 1199	16 1/2	18	
	Reich & Co. Inc. NY	212 HA5 5020	16 1/2	18	
ATRON CORP. WTS.	* A. P. Montgomery & Co. NY	212 483 0100	2 7/8	3 3/8	11061
	Sherwood Secs Corp. NY	212 425 0300	2 3/4	3 1/8	
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 3/4	3 1/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	3	3 1/2	
	Reich & Co. Inc. NY	212 HA5 5020	2 5/8	3	
	*	*	*		

DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — January 15, 1971 — NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	P. R. Peterson Co. Mnpls	612 332 1427	6 3/4	7 1/4	
	F. O. Baroff Co. Inc. NY	212 233 9077	6 5/8	7 1/8	
	* M. S. Wien & Co. Inc. J CY	212 BA7 4300	6 3/8	6 3/4	9392
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 3/4	7 1/4	
	* Mayer & Schweitzer Inc. NY	212 WH4 6030	6 1/2	7	13035
	Sherwood Secs Corp. NY	212 425 0300	6 1/2	7	
	G. A. Saxton & Co. Inc. NY	212 483 1282	6 1/2	7	
	* A. P. Montgomery & Co. NY	212 483 0100	6 1/2	7	11061
	Reich & Co. Inc. NY	212 HA5 5020	6 1/4	7	
ATRON CORP. UTS.	Sherwood Secs Corp. NY	212 425 0300	16	17 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	16 1/2	18	
	* A. P. Montgomery & Co. NY	212 483 0100	16 1/2	18	11061
	Reich & Co. Inc. NY	212 HA5 5020			
ATRON CORP. WTS.	Sherwood Secs Corp. NY	212 425 0300	2 3/4	3 1/8	
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 5/8	3 1/8	
	* A. P. Montgomery & Co. NY	212 483 0100	2 5/8	3 1/8	11061
	Reich & Co. Inc. NY	212 HA5 5020	2 1/2	2 7/8	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — January 18, 1971 — NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 3/4	7 1/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	6 3/4	7 1/4	
	Sherwood Secs Corp. NY	212 425 0300	6 1/4	6 3/4	
	* Mayer & Schweitzer Inc. NY	212 WH4 6030	6 1/2	7	13035
	* A. P. Montgomery & Co. NY	212 483 0100	6 1/4	6 3/4	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	6 1/2	7	
	Reich & Co. Inc. NY	212 HA5 5020	6	6 1/2	
	F. O. Baroff Co. Inc. NY	212 233 9077	6 3/8	6 7/8	
	P. R. Peterson Co. Mnpls	612 332 1427	6 3/4	7 1/4	
	* M. S. Wien & Co. Inc. J CY	212 BA7 4300	6 3/8	6 7/8	9392
ATRON CORP. UTS.	John G. Kinnard & Co. Mnpls	612 333 1199	16 1/2	18	
	Sherwood Secs Corp. NY	212 425 0300	15	16 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	15	16 1/2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	16 1/2	18	
	Reich & Co. Inc. NY	212 HA5 5020	14	14 1/2	
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	2 7/8	3 3/8	
	Sherwood Secs Corp. NY	212 425 0300	2 3/8	2 3/4	
	* A. P. Montgomery & Co. NY	212 483 0100	2 3/8	2 7/8	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 1/2	3	
	Reich & Co. Inc. NY	212 HA5 5020	2 1/4	2 3/4	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		January 19, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	John G. Kinnard & Co. Mnpls	612 333 1199	6 1/2	7	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 3/8	6 7/8	
	* Mayer & Schweitzer Inc. NY	212 WH4 6030	5 5/8	6 1/8	13035
	G. A. Saxton & Co. Inc. NY	212 483 1282	5 3/4	6 1/4	
	Sherwood Secs Corp. NY	212 425 0300	5 1/2	6	
	* A. P. Montgomery & Co. NY	212 483 0100	5 5/8	6 1/8	11061
	Reich & Co. Inc. NY	212 HA5 5020	5 1/2	6	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	5 3/4	6 1/4	9392
	P. R. Peterson Co. Mnpls	612 332 1427	6 5/8	7 1/8	
	F. O. Baroff Co. Inc. NY	212 233 9077	6 3/8	6 7/8	
ATRON CORP. UTS.	John G. Kinnard & Co. Mnpls	612 333 1199	16	17 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	14	15 1/2	
	Sherwood Secs Corp. NY	212 425 0300	13	14 1/2	
	A. P. Montgomery & Co. NY	212 483 0100	13	14 1/2	
	Reich & Co. Inc. NY	212 HA5 5020			
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	2 5/8	3 1/8	
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 1/4	2 3/4	
	Sherwood Secs Corp. NY	212 425 0300	2	2 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	2 1/8	2 5/8	11061
	Reich & Co. Inc. NY	212 HA5 5020	2 1/4	2 3/4	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK	January 20, 1971		NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	F. O. Baroff Co. Inc. NY	212 233 9077	5 7/8	6 3/8	
	P. R. Peterson Co. Mnpls	612 332 1427	6 3/8	6 7/8	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	5 5/8	6 1/8	93 2
	Sherwood Secs Corp. NY	212 425 0300	5 7/8	6 3/8	
	Reich & Co. Inc. NY	212 425 5020	6 1/4	6 3/4	
	* Mayer & Schweitzer Inc. NY	212 944 6030	5 3/4	6 1/4	13035
	G. A. Saxton & Co. Inc. NY	212 483 1282	5 3/4	6 1/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	6 3/8	6 7/8	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 3/8	6 7/8	
	* A. P. Montgomery & Co. NY	212 483 0100	5 3/4	6 1/4	11061
ATRON CORP. UTS.	Sherwood Secs Corp. NY	212 425 0300	14	14 1/2	
	Reich & Co. Inc. NY	212 425 5020	14 1/2	16	
	G. A. Saxton & Co. Inc. NY	212 483 1282	14	15 1/	
	John G. Kinnard & Co. Mnpls	612 333 1199	15	16 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	13 1/2	15	11061
ATRON CORP. WTS.	Sherwood Secs Corp. NY	212 425 0300	2 3/8	2 3/4	
	Reich & Co. Inc. NY	212 425 5020	2 1/2	2 7/8	
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 1/4	2 3/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	2 3/8	2 7/8	
	* A. P. Montgomery & Co. NY	212 483 0100	2 3/8	2 7/8	11061

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — January 21, 1971 — NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	P. R. Peterson Co. Mnpls	612 332 1427	5 5/8	6 1/8	
	F. O. Baroff Co. Inc. NY	212 233 9077	6	6 1/2	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	6 1/4	6 3/4	9392
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	5 3/4	6 1/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	5 7/8	6 3/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	6 1/8	6 5/8	13035
	Sherwood Secs Corp. NY	212 425 0300	6 1/4	6 3/4	
	G. A. Saxton & Co. Inc. NY	212 483 1282	6 1/4	6 3/4	
	* A. P. Montgomery & Co. NY	212 483 0100	6 3/8	6 7/8	11061
	Reich & Co. Inc. NY	212 425 5020	6 3/4	7 1/4	
ATRON CORP. UTS.	John G. Kinnard & Co. Mnpls	612 333 1199	14	15 1/2	
	Sherwood Secs Corp. NY	212 425 0300	14 1/2	16	
	G. A. Saxton & Co. Inc. NY	212 483 1282	15	16 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	15	16 1/2	11061
	Reich & Co. Inc. NY	212 425 5020	16 1/2	18	
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	2 3/8	2 7/8	
	Sherwood Secs Corp. NY	212 425 0300	2 3/8	2 7/8	
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 1/2	3	
	* A. P. Montgomery & Co. NY	212 483 0100	2 5/8	3 1/8	11061
	Reich & Co. Inc. NY	212 425 5020	2 1/2	3	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — January 22, 1971 — NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	F. O. Baroff Co. Inc. NY	212 233 9077	7 1/4	7 3/4	
	P. R. Peterson Co. Mnpls	612 332 1427	5 7/8	6 3/8	
	* M. S. Wien & Co. Inc. J CY	212 227 4300			9392
	Reich & Co. Inc. NY	212 425 5020	7 1/2	8	
	John G. Kinnard & Co. Mnpls	612 333 1199	6 1/4	6 3/4	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	5 7/8	6 3/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	7	7 3/4	13035
	* A. P. Montgomery & Co. NY	212 483 0100	7	7 1/2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	7 1/4	7 3/4	
ATRON CORP. UTS.	Reich & Co. Inc. NY	212 425 5020	17 1/2	19	
	John G. Kinnard & Co. Mnpls	612 333 1199	15	16 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	18	19 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	17	18 1/2	11061
ATRON CORP. WTS.	Reich & Co. Inc. NY	212 425 5020	2 3/4	3 1/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	2 1/2	3	
	G. A. Saxton & Co. Inc. NY	212 483 1282	3	3 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	3	3 1/2	11061

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — January 25, 1971 — NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6	6 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	7 1/8	7 5/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 3/8	7 7/8	13035
	* A. P. Montgomery & Co. NY	212 483 0100	7 1/4	7 3/4	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	7 1/	8	
	Reich & Co. Inc. NY	212 425 5020	7 1/2	8	
	P. R. Peterson Co. Mnpls	612 332 1427	7	8 1/2	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 1/4	7 3/4	9392
ATRON CORP. UTS.	John G. Kinnard & Co. Mnpls	612 333 1199	17	18 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	17 1/2	19	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	18	19 1/2	
	Reich & Co. Inc. NY	212 425 5020	18	19 1/2	
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	3	3 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	2 3/4	3 1/4	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 3/4	3 1/4	
	Reich & Co. Inc. NY	212 425 5020	2 3/4	3 1/4	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		January 26, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 1/4	7 3/4	9392
	P. R. Peterson Co. Mnpls	612 332 1427	7 1/4	7 3/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	6 3/8	6 7/8	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 1/4	7 3/4	
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 3/8	7 7/8	13035
	* A. P. Montgomery & Co. NY	212 483 0100	7 1/4	7 3/4	11061
	Reich & Co. Inc. NY	212 425 5020	7 3/4	8 1/4	
	G. A. Saxton & Co. Inc. NY	212 483 1282	7 1/2	8	
ATRON CORP. UTS.	John G. Kinnard & Co. Mnpls	612 333 1199	15	16 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	17 1/2	19	11061
	Reich & Co. Inc. NY	212 425 5020	18	19 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	18	19 1/2	
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	2 5/8	3 1/8	
	* A. P. Montgomery & Co. NY	212 483 0100	2 3/4	3 1/4	11061
	Reich & Co. Inc. NY	212 425 5020	2 3/4	3 1/4	
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 3/4	3 1/4	
		* * *			

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK January 27, 1971 NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 1/4	7 3/4	
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 5/8	8 1/8	13035
	* A. P. Montgomery & Co. NY	212 483 0100	8	8 1/2	11061
	Reich & Co. Inc. NY	212 425 5020	8 1/4	8 3/4	
	G. A. Saxton & Co. Inc. NY	212 483 1282	8	8 1/2	
	P. R. Peterson Co. Mnpls	612 332 1427	7 1/4	7 3/4	
	* M. S. Wien & Co. Inc. J CY	212 BA7 4300	8	8 1/2	9392
ATRON CORP. UTS.	* A. P. Montgomery & Co. NY	212 483 0100	19	20 1/2	11061
	Reich & Co. Inc. NY	212 425 5020	19	20 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	18 1/2	20	
ATRON CORP. WTS.	* A. P. Montgomery & Co. NY	212 483 0100	3 1/4	3 3/4	11061
	Reich & Co. Inc. NY	212 425 5020	3	3 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 3/4	3 1/4	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — January 28, 1971 — NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 3/4	8 1/4	9392
	P. R. Peterson Co. Mnpls	612 332 1427	8	8 1/2	
	Reich & Co. Inc. NY	212 425 5020	7 3/4	8 1/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	8	8 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	7 3/4	8 1/4	11061
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 3/4	8 1/4	13035
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 5/8	8 1/8	
	G. A. Saxton & Co. Inc. NY	212 483 1282	7 1/2	8	
ATRON CORP. UTS.	Reich & Co. Inc. NY	212 425 5020	18 1/2	20	
	John G. Kinnard & Co. Mnpls	612 333 1199	19	20 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	18	19 1/2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	18	19 1/2	
ATRON CORP. WTS.	Reich & Co. Inc. NY	212 425 5020	3	3 3/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	3 1/4	3 3/4	
	* A. P. Montgomery & Co. NY	212 483 0100	3	3 1/2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 3/4	3 1/4	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		January 29, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	P. R. Peterson Co. Mnpls	612 332 1427	7 3/4	8 1/4	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	8	8 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	8 1/8	8 5/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 5/8	8 1/8	13035
	Reich & Co. Inc. NY	212 425 5020	7 1/2	8	
	G. A. Saxton & Co. Inc. NY	212 483 1282	7 3/4	8 1/4	
	A. P. Montgomery & Co. NY	212 483 0100			
ATRON CORP. UTS.	John G. Kinnard & Co. Mnpls	612 333 1199	19	20 1/2	
	Reich & Co. Inc. NY	212 425 5020	17	19	
	G. A. Saxton & Co. Inc. NY	212 483 1282	18	19 1/2	
	A. P. Montgomery & Co. NY	212 483 0100			
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	3 1/8	3 5/8	
	Reich & Co. Inc. NY	212 425 5020	2 5/8	3 1/8	
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 3/4	3 1/4	
	A. P. Montgomery & Co. NY	212 483 0100			
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK February 1, 1971 NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	* M. S. Wien & Co. Inc. J CY	212 BA7 4300	7 3/4	8 1/4	9392
	P. R. Peterson Co. Mnpls	612 332 1427	7 5/8	8 1/8	
	G. A. Saxton & Co. Inc. NY	212 483 1282	7 3/4	8 1/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	7 3/4	8 1/4	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 3/4	8 1/4	
	* A. P. Montgomery & Co. NY	212 483 0100	7 1/4	7 3/4	11061
	Reich & Co. Inc. NY	212 425 5020	6 3/4	7 1/4	
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 3/8	7 7/8	13035
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	18	19 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	18 1/2	20	
	* A. P. Montgomery & Co. NY	212 483 0100	17	18 1/2	11061
	Reich & Co. Inc. NY	212 425 5020			
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	2 3/4	3 1/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	3	3 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	2 5/8	3 1/8	11061
	Reich & Co. Inc. NY	212 425 5020	2 1/8	2 5/8	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — February 2, 1971 — NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	*	M. S. Wien & Co. Inc. J CY	212 BA7 4300	6 5/8	7 1/8	9392
		P. R. Peterson Co. Mnpls	612 332 1427	7 3/4	8 1/4	
		G. A. Saxton & Co. Inc. NY	212 483 1282	6 3/8	6 7/8	
		John G. Kinnard & Co. Mnpls	612 333 1199	7 3/8	7 7/8	
		G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 5/8	8 1/8	
	*	Mayer & Schweitzer Inc. NY	212 944 6030	3		13035
	*	A. P. Montgomery & Co. NY	212 483 0100	6 3/4	7 1/4	11061
		Reich & Co. Inc. NY	212 425 5020	6 7/8	7 3/8	
ATRON CORP. UTS.		G. A. Saxton & Co. Inc. NY	212 483 1282	14 1/2	16	
		John G. Kinnard & Co. Mnpls	612 333 1199	17 1/2	19	
	*	A. P. Montgomery & Co. NY	212 483 0100			11061
		Reich & Co. Inc. NY	212 425 5020	15 1/2	17	
ATRON CORP. WTS.		G. A. Saxton & Co. Inc. NY	212 483 1282	2	2 1/2	
		John G. Kinnard & Co. Mnpls	612 333 1199	2 3/4	3 1/4	
	*	A. P. Montgomery & Co. NY	212 483 0100			11061
		Reich & Co. Inc. NY	212 425 5020	1 3/4	2 1/4	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — February 3, 1971 — NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	* M. S. Wien & Co. Inc. J CY	212 BA7 4300	6 3/4	7 1/4	9392	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 3/4	7 1/4		
	John G. Kinnard & Co. Mnpls	612 333 1199	7 1/4	7 3/4		
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 1/8	7 5/8	13035	
	* A. P. Montgomery & Co. NY	212 483 0100	7	7 1/2	11061	813a
	G. A. Saxton & Co. Inc. NY	212 483 1282				
	Reich & Co. Inc. NY	212 425 5020	7	7 1/2		
ATRON CORP. UTS.	Reich & Co. Inc. NY	212 425 5020	15	17		
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282				
	Reich & Co. Inc. NY	212 425 5020	1	1 1/2		

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		February 4, 1971	NATIONAL DAILY QUOTATION SERVICE			
		*	*	*		
ATRON CORP. COM.	* M. S. Wien & Co. Inc. J CY	212 BA7 4300	7	7 1/2	93 2	
	John G. Kinnard & Co. Mnpls	612 333 1199	7 1/8	7 5/8		
	P. R. Peterson Co. Mnpls	612 332 1427	7	7 1/2		
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 7/8	7 3/8		
	* Mayer & Schweitzer Inc. NY	212 944 6030	7	7 1/2	13035	
	* A. P. Montgomery & Co. NY	212 483 0100	7 1/8	7 5/8	11061	
	Reich & Co. Inc. NY	212 425 5020	1 1/4	1 3/4		
	G. A. Saxton & Co. Inc. NY	212 483 1282				
ATRON CORP. UTS.	John G. Kinnard & Co. Mnpls	612 333 1199				
	Reich & Co. Inc. NY	212 425 5020	15	17		
	G. A. Saxton & Co. Inc. NY	212 483 1282				
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199				
	Reich & Co. Inc. NY	212 425 5020	1 1/4	1 3/4		
	G. A. Saxton & Co. Inc. NY	212 483 1282				
		*	*	*		

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		February 5, 1971	NATIONAL DAILY QUOTATION SERVICE		
	*		*	*	
ATRON CORP. COM.	* M. S. Wien & Co. Inc. J CY	212 BA7 4300	7	7 1/2	9392
	Fredericks Clark & Co. Mnpls	612 338 0571			
	* Mayer & Schweitzer Inc. NY	212 WH4 6030	7	7 1/2	13035
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 7/8	7 3/8	
	P. R. Peterson Co. Mnpls	612 332 1427	7	7 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	7 1/8	7 5/8	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	6 3/4	7 1/4	
	Reich & Co. Inc. NY	212 425 5020	6 7/8	7 3/8	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	15	17	
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	1 1/4	2	
	Reich & Co. Inc. NY	212 425 5020	1 1/4	2	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK February 8, 1971 NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	Fredericks Clark & Co. pls	612 338 0571			
	* M. S. Wien & Co. Inc. J CY	212 BA7 4300	7	7 1/2	9392
	* A. P. Montgomery & Co. NY	212 483 0100	6 3/4	7 1/4	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 7/8	7 3/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	7	7 1/2	
	P. R. Peterson Co. Mnpls	612 332 1427	7	7 1/2	
	* Mayer & Schweitzer Inc. NY	212 944 6030	6 3/4	7 1/4	13035
	Reich & Co. Inc. NY	212 425 5020	7	7 1/2	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282			
	John G. Kinnard & Co. Mnpls	612 333 1199			
	Reich & Co. Inc. NY	212 425 5020	15	17	
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282			
	John G. Kinnard & Co. Mnpls	612 333 1199			
	Reich & Co. Inc. NY	212 425 5020	1 1/4	2	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — February 9, 1971 — NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	John G. Kinnard & Co. Mnpls	612 333 1199	7	7 1/2	
	P. R. Peterson Co. Mnpls	612 332 1427	6 7/8	7 3/8	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 7/8	7 3/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	6 3/4	7 1/4	13035
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	* A. P. Montgomery & Co. NY	212 483 0100	6 3/4	7 1/4	11061
	Reich & Co. Inc. NY	212 425 5020	7 1/8	7 5/8	
	Fredericks Clark & Co. Mnpls	612 338 0571			
	Glidden Morris & Co. NY	212 HA2 4620	7		
	* M. S. Wien & Co. Inc. J CY	212 227 4300	6 7/8	7 3/8	9392
ATRON CORP. UTS.	John G. Kinnard & Co. Mnpls	612 333 1199			
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	15 1/2	17	
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199			
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	1 1/4	2	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — February 10, 1971 — NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	Glidden Morris & Co. NY	212 422 4612			
	Fredericks Clark & Co. Mnpls	612 338 0571			
	* Mayer & Schweitzer Inc. NY	212 944 6030	6 7/8	7 3/8	13035
	P. R. Peterson Co. Mnpls	612 332 1427	6 7/8	7 3/8	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 7/8	7 3/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	6 7/8	7 3/8	
	G. A. Saxton & Co. Inc. NY	212 483 1282	7	7 1/2	
	Reich & Co. Inc. NY	212 425 5020	6 3/4	7 1/4	
	* A. P. Montgomery & Co. NY	212 483 0100	6 7/8	7 3/8	11061
	* M. S. Wien & Co. Inc. J CY	212 227 4300	6 7/8	7 3/8	9392
ATRON CORP. UTS.	John G. Kinnard & Co. Mnpls	612 333 1199			
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	15	16 1/2	
ATRON CORP. WTS.	John C. Kinnard & Co. Mnpls	612 333 1199			
	G. A. Saxton & Co. Inc. NY	212 483 1282	1	1 3/4	
	Reich & Co. Inc. NY	212 425 5020	1	1 3/4	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		February 11, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	P. R. Peterson Co. Mnpls	612 332 1427	6 7/8	7 3/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	6 3/4	7 1/4	13035
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 1/8	7 5/8	
	* A. P. Montgomery & Co. NY	212 483 0100	6 5/8	7 1/8	11061
	Reich & Co. Inc. NY	212 425 5020	6 3/4	7 1/4	
	G. A. Saxton & Co. Inc. NY	212 483 1282	6 3/4	7 1/4	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	6 3/4	7 1/4	9392
	John G. Kinnard & Co. Mnpls	612 333 1199	6 7/8	7 3/8	
	Glidden Morris & Co. NY	212 422 4612	6 3/4		
	Fredericks Clark & Co. Mnpls	612 338 0571			
ATRON CORP. UTS.	Reich & Co. Inc. NY	212 425 5020	14 1/2	16	
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	John G. Kinnard & Co. Mnpls	612 333 1199			
ATRON CORP. WTS.	Reich & Co. Inc. NY	212 425 5020	1	1 3/4	
	G. A. Saxton & Co. Inc. NY	212 483 1282	1	1 3/4	
	John G. Kinnard & Co. Mnpls	612 333 1199			
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK February 12, 1971 NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 1/2	7	
	* Mayer & Schweitzer Inc. NY	212 944 6030	6 5/8	7 1/8	13035
	P. R. Peterson Co. Mnpls	612 332 1427	6 3/4	7 1/4	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	6 5/8	7 1/8	9392
	* A. P. Montgomery & Co. NY	212 483 0100	6 5/8	7 1/8	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	6 1/2	7	
	Fredericks Clark & Co. Mnpls	612 338 0571			
	Glidden Morris & Co. NY	212 422 4612	6 5/8		
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	14	15 1/2	
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	1	1 3/4	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — February 16, 1971 — NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	Glidden Morris & Co. NY	212 422 4612	6 5/8		
	P. R. Peterson Co. Mnpls	612 332 1427	6 5/8	7 1/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	6 5/8	7 1/8	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 1/2	7	
	* Mayer & Schweitzer Inc. NY	212 944 6030	6 5/8	7 1/8	13035
	* A. P. Montgomery & Co. NY	212 483 0100	6 3/8	6 7/8	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	* M. S. Wien & Co. Inc. J CY	212 227 4300	6 5/8	7 1/8	9392
	Reich & Co. Inc. NY	212 425 5020	6 1/2	7	
ATRON CORP. UTS.	John G. Kinnard & Co. Mnpls	612 333 1199			
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	14	15 1/2	
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/4	2	
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	1	1 3/4	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		February 17, 1971	NATIONAL DAILY QUOTATION SERVICE		
	* * *				
ATRON CORP. COM.	Glidden Morris & Co. NY	212 422 4612	6 5/8		
	John G. Kinnard & Co. Mnpls	612 333 1199	6 1/2	7	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 1/2	7	
	P. R. Peterson Co. Mnpls	612 332 1427	6 5/8	7 1/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	6 3/4	7 1/4	13035
	* A. P. Montgomery & Co. NY	212 483 0100	6 1/2	7	11061
	* M. S. Wien & Co. Inc. J CY	212 227 4300	6 5/8	7 1/8	9392
	Reich & Co. Inc. NY	212 425 5020	6 5/8	7 1/8	
	G. A. Saxton & Co. Inc. NY	212 483 1282			
ATRON CORP. UTS.	John G. Kinnard & Co. Mnpls	612 333 1199			
	Reich & Co. Inc. NY	212 425 5020	14 1/2	16	
	G. A. Saxton & Co. Inc. NY	212 483 1282			
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/4	2	
	Reich & Co. Inc. NY	212 425 5020	5/8	1	
	G. A. Saxton & Co. Inc. NY	212 483 1282			
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		February 18, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 3051	6 1/2	7	
	John G. Kinnard & Co. Mnpls	612 333 1199	6 1/2	7	
	P. R. Peterson Co. Mnpls	612 332 1427	6 5/8	7 1/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	6 3/4	7 1/4	13035
	* A. P. Montgomery & Co. NY	212 483 0100	6 3/4	7 1/4	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	* M. S. Wien & Co. Inc. J CY	212 227 4300	6 7/8	7 3/8	9392
	Reich & Co. Inc. NY	212 425 5020	6 7/8	7 3/8	
	Glidden Morris & Co. NY	212 422 4612	6 3/4		
ATRON CORP. UTS.	John G. Kinnard & Co. Mnpls	612 333 1199			
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	14 1/2	16	
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/4	2	
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	1	1 3/	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		February 19, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 3/4	7 1/4	
	P. R. Peterson Co. Mnpls	612 332 1427	7	7 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	6 1/2	7	
	* Mayer & Schweitzer Inc. NY	212 944 6030	6 7/8	7 3/8	13035
	* A. P. Montgomery & Co. NY	212 483 0100	6 7/8	7 3/8	11061
	* M. S. Wien & Co. Inc. J CY	212 227 4300	6 7/8	7 3/8	9392
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Glidden Morris & Co. NY	212 422 4612	6 3/4		
	Reich & Co. Inc. NY	212 425 5020	6 7/8	7 3/8	
ATRON CORP. UTS.	John G. Kinnard & Co. Mnpls	612 333 1199			
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	14 1/2	16	
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/4	2	
	* A. P. Montgomery & Co. NY	212 483 0100	1 1/4	2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	1	1 3/4	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		February 22, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	Fredericks Clark & Co. Mnpls	612 338 0571			
	Glidden Morris & Co. NY	212 422 4612	6 1/2		
	John G. Kinnard & Co. Mnpls	612 333 1199	6 3/4	7 1/4	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 5/8	7 1/8	
	P. R. Peterson Co. Mnpls	612 332 1427	6 7/8	7 3/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	6 3/4	7 1/4	13035
	* M. S. Wien & Co. Inc. J CY	212 227 4300	6 7/8	7 3/8	9392
	* A. P. Montgomery & Co. NY	212 483 0100	6 5/8	7 1/8	11061
	Reich & Co. Inc. NY	212 425 5020	6 1/2	7	
	G. A. Saxton & Co. Inc. NY	212 483 1282			
ATRON CORP. UTS.	Reich & Co. Inc. NY	212 425 5020	14 1/2	16	
	G. A. Saxton & Co. Inc. NY	212 483 1282			
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	1/4	2	
	* A. P. Montgomery & Co. NY	212 483 0100	1 1/4	2	11061
	Reich & Co. Inc. NY	212 425 5020	1	1 3/4	
	G. A. Saxton & Co. Inc. NY	212 483 1282			
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		February 23, 1971	NATIONAL DAILY QUOTATION SERVICE		
	* * *				
ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 5/8	7 1/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	6 3/4	7 1/4	
	* Mayer & Schweitzer Inc. NY	212 944 6030	6 5/8	7 1/8	13035
	* M. S. Wien & Co. Inc. J CY	212 227 4300	6 5/8	7 1/8	9392
	* A. P. Montgomery & Co. NY	212 483 0100	6 5/8	7 1/8	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	6 3/4	7 1/4	
	Glidden Morris & Co. NY	212 422 4612	6 1/2		
	Fredericks Clark & Co. Mnpls	612 338 0571			
	Reich & Co. Inc. NY	212 425 5020	6 1/2	7	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	15	16 1/2	
	Reich & Co. Inc. NY	212 425 5020	13 1/2	15	
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/4	2	
	* A. P. Montgomery & Co. NY	212 483 0100	1 1/4	2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	1 1/4	2	
	Reich & Co. Inc. NY	212 425 5020	1	1 3/4	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		February 24, 1971		NATIONAL DAILY QUOTATION SERVICE		
		*	*	*		
ATRON CORP. COM.	* M. S. Wien & Co. Inc. J CY	212 227 4300		6 5/8	7 1/8	9392
	John G. Kinnard & Co. Mnpls	612 333 1199		6 5/8	7 1/8	
	P. R. Peterson Co. Mnpls	612 332 1427		6 3/4	7 1/4	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051		6 3/8	6 7/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030		6 1/2	7	13035
	G. A. Saxton & Co. Inc. NY	212 483 1282				
	Reich & Co. Inc. NY	212 425 5020		6 1/2	7	
	* A. P. Montgomery & Co. NY	212 483 0100		6 1/2	7	11061
	Fredericks Clark & Co. Mnpls	612 338 0571				
	Glidden Morris & Co. NY	212 422 4612		6 1/2		
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282				
	Reich & Co. Inc. NY	212 425 5020		14	15 1/2	
ATRON CORP. WTS.	* A. P. Montgomery & Co. NY	212 483 0100		1 1/4	2	11061
	John G. Kinnard & Co. Mnpls	612 333 1199		1 1/4	2	
	G. A. Saxton & Co. Inc. NY	212 483 1282				
	Reich & Co. Inc. NY	212 425 5020		1	1 3/4	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		February 25, 1971	NATIONAL DAILY QUOTATION SERVICE			
		* * *				
ATRON CORP. COM.	* M. S. Wien & Co. Inc. J CY	212 227 4300	6 1/2	7	9392	828a
	* A. P. Montgomery & Co. NY	212 483 0100	6 1/2	7	11061	
	G. A. Saxton & Co. Inc. NY	212 483 1282				
	John G. Kinnard & Co. Mnpls	612 333 1199	6 1/2	7		
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 5/8	7 1/8		
	* Mayer & Schweitzer Inc. NY	212 944 6030	6 3/4	7 1/4	13035	
	Reich & Co. Inc. NY	212 425 5020	6 1/2	7		
	Fredericks Clark & Co. Mnpls	612 338 0571				
	Glidden Morris & Co. NY	212 422 4612	6 1/2			
	P. R. Peterson Co. Mnpls	612 332 1427	6 5/8	7 1/8		
	G. A. Saxton & Co. Inc. NY	212 483 1282				
ATRON CORP. UTS.	Reich & Co. Inc. NY	212 425 5020	14	15 1/2		
	* A. P. Montgomery & Co. NY	212 483 0100	1 1/4	2	11061	
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282				
	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/4	2		
	Reich & Co. Inc. NY	212 425 5020	1	1 3/4		
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		February 26, 1971	NATIONAL DAILY QUOTATION SERVICE		
	*				
ATRON CORP. COM.	* A. P. Montgomery & Co. NY	212 483 0100	6 1/2	7	11061
	* M. S. Wien & Co. Inc. NY	212 227 4300	6 1/2	7	9392
	* Mayer & Schweitzer Inc. NY	212 944 6030	6 5/8	7 1/3	13035
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 3/4	7 1/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	6 1/2	7	
	P. R. Peterson Co. Mnpls	612 332 1427	6 1/2	7	
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	6 1/2	7	
	Fredericks Clark & Co. Mnpls	612 338 0571			
	Glidden Morris & Co. NY	212 422 4612	6 1/2		
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	14	15 1/2	
ATRON CORP. WTS.	* A. P. Montgomery & Co. NY	212 483 0100	1 1/4	2	11061
	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/4	2	
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	1	1 3/4	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK March 1, 1971 NATIONAL DAILY QUOTATION SERVICE

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ATRON CORP. COM.	Reich & Co. Inc. NY	212 425 5020	6 1/2	7	
	* A. P. Montgomery & Co. NY	212 483 0100	6 1/2	7	11061
	P. R. Peterson Co. Mnpls	612 332 1427	6 5/8	7 1/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	6 1/2	7	13035
	John G. Kinnard & Co. Mnpls	612 333 1199	6 1/2	7	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 3/4	7 1/4	
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Oscar Gruss & Son NY	212 425 8562	1 3/8	1 7/8	
	Fredericks Clark & Co. Mnpls	612 338 0571			
ATRON CORP. UTS.	Reich & Co. Inc. NY	212 425 5020	14	14 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282			
ATRON CORP. WTS.	Reich & Co. Inc. NY	212 425 5020	1	1 3/4	
	* A. P. Montgomery & Co. NY	212 483 0100	1 1/4	2	11061
	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/4	2	
	G. A. Saxton & Co. Inc. NY	212 483 1282			

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — March 2, 1971 — NATIONAL DAILY QUOTATION SERVICE

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ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 5/8	7 1/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	6 1/2	7	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	6 1/2	7	9392
	* M. S. Wien & Co. Inc. J CY	212 227 4300	6 1/2	6 7/8	9392
	* Mayer & Schweitzer Inc. NY	212 944 6030	6 1/2	7	13035
	* A. P. Montgomery & Co. NY	212 483 0100	6 3/8	6 7/8	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	6 3/4	7 1/4	
	Fredericks Clark & Co. Mnpls	612 338 0571			
	Oscar Gruss & Son NY	212 HA5 7171	6 3/4	7 1/4	
	Glidden Morris & Co. NY	212 422 4612	6 3/4		
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	14	15 1/2	
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/4	2	
	* A. P. Montgomery & Co. NY	212 483 0100	1 1/4	2	
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	1	1 3/4	
	Oscar Gruss & Son NY	212 425 8562	1 3/8	1 7/8	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		March 3, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	Fredericks Clark & Co. Mnpls	612 338 0571			
	Oscar Gruss & Son NY	212 HA5 7171	6 3/4	7 1/4	
	Glidden Morris & Co. NY	212 422 4612	6 3/4		
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	* A. P. Montgomery & Co. NY	212 483 0100	6 3/4	7 1/4	11061
	* M. S. Wien & Co. Inc. J CY	212 227 4300	6 3/4	7 1/4	9392
	* Mayer & Schweitzer Inc. NY	212 944 6030	6 3/4	7 1/4	1303
	P. R. Peterson Co. Mnpls	612 332 1427	6 1/2	6 7/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	6 1/2	7	
	Reich & Co. Inc. NY	212 425 5020	6 3/4	7 1/4	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	14	15 1/2	
ATRON CORP. WTS.	Oscar Gruss & Son NY	212 425 8562	1 3/8	1 7/8	
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	* A. P. Montgomery & Co. NY	212 483 0100	1 1/4	2	11061
	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/4	2	
	Reich & Co. Inc. NY	212 425 5020	1	1 3/4	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK March 4, 1971 NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	Fredericks Clark & Co. Mnpls	612 338 0571			
	Oscar Gruss & Son NY	212 HA5 7171	7	7 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	6 1/2	7	
	P. R. Peterson Co. Mnpls	612 332 1427	6 3/4	7 1/4	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 3/4	7	
	Reich & Co. Inc. NY	212 425 5020	6 3/4	7 1/4	
	* Mayer & Schweitzer Inc. NY	212 944 6030	6 3/4	7 1/4	13035
	* A. P. Montgomery & Co. NY	212 483 0100	6 3/4	7 1/4	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	* M. S. Wien & Co. Inc. J CY	212 227 4300	6 3/4	7 1/4	9392
ATRON CORP. UTS.	Oscar Gruss & Son NY	212 425 8562	OW		
	Reich & Co. Inc. NY	212 425 5020	14	15 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282			
ATRON CORP. WTS.	Oscar Gruss & Son NY	212 425 8562	1 3/8	1 7/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/4	2	
	Reich & Co. Inc. NY	212 425 5020	1	1 3/4	
	* A. P. Montgomery & Co. NY	212 483 0100	1 1/4	2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282			

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		March 5, 1971	NATIONAL DAILY QUOTATION SERVICE		
	*				
ATRON CORP. COM.	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 3/8	7 7/8	9392
	* A. P. Montgomery & Co. NY	212 483 0100	7 3/8	7 7/8	11061
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 1/4	7 3/4	13035
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	7 1/2	8	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	6 5/8	6 7/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	6 3/4	7 1/4	
	Oscar Gruss & Son NY	212 HA5 7171	7 1/2	8	
	Fredericks Clark & Co. Mnpls	612 338 0571			
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	15	16 1/2	
	Oscar Gruss & Son NY	212 425 8562	OW		
ATRON CORP. WTS.	* A. P. Montgomery & Co. NY	212 483 0100	1 1/4	2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	1 1/4	2	
	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/4	2	
	Oscar Gruss & Son NY	212 425 8562	1 1/2	1 7/8	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		March 8, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	Fredericks Clark & Co. Mnpls	612 338 0571			
	Bache & Co. NY	212 797 6830	OW		
	Ladenburg Thalmann NY	212 422 8624	OW		
	Oscar Gruss & Son NY	212 HA5 7171	7 3/4	8 1/4	
	* A. P. Montgomery & Co. NY	212 483 0100	7 1/4	7 3/4	10061
	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 1/2	8	9392
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	John G. Kinnard & Co. Mnpls	612 333 1199	7 1/4	7 3/4	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 1/4	7 5/8	
	P. R. Peterson Co. Mnpls	612 332 1427	7 1/4	7 3/4	
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 1/2	8	13035
	Reich & Co. Inc. NY	212 425 5020	7 3/4	8 1/4	
ATRON CORP. UTS.	Ladenburg Thalmann NY	212 422 8624	OW		
	Oscar Gruss & Son NY	212 425 8562	OW		
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	17	18 1/2	
ATRON CORP. WTS.	Oscar Gruss & Son NY	212 425 8562	1 1/2	2	
	* A. P. Montgomery & Co. NY	212 483 0100	1 3/8	1 7/8	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/4	2	
	Reich & Co. Inc. NY	212 425 5020	1 1/4	2	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — March 9, 1971 — NATIONAL DAILY QUOTATION SERVICE

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ATRON CORP. COM.	*	A. P. Montgomery & Co. NY	212 483 0100	7 1/2	8	11061
		G. A. Saxton & Co. Inc. NY	212 483 1282			
		Reich & Co. Inc. NY	212 425 5020	7 1/2	8	
	*	M. S. Wien & Co. Inc. J CY	212 227 4300	7 5/8	8 1/8	9392
		John G. Kinnard & Co. Mnpls	612 333 1199	6 7/8	7 3/8	
		G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 1/2	8	
	*	Mayer & Schweitzer Inc. NY	212 944 6030	7 3/4	8 1/4	13035
		Oscar Gruss & Son NY	212 HA5 7171	7 3/8	7 7/8	
		Ladenburg Thalmann NY	212 422 8624	OW		
		Martin J. Joel & Co. NY	212 HA2 1666			
		Bache & Co. NY	212 797 6830	OW		
ATRON CORP. UTS.		G. A. Saxton & Co. Inc. NY	212 483 1282			
		Reich & Co. Inc. NY	212 425 5020			
		Oscar Gruss & Son NY	212 425 8562	OW		
		Ladenburg Thalmann NY	212 422 8624	OW		
ATRON CORP. WTS.	*	A. P. Montgomery & Co. NY	212 483 0100	1 1/4	2	11061
		G. A. Saxton & Co. Inc. NY	212 483 1282			
		Reich & Co. Inc. NY	212 425 5020	1 1/4	2	
		John G. Kinnard & Co. Mnpls	612 333 1199	1 1/4	2	
		Oscar Gruss & Son NY	212 425 8562	1 1/2	2	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		March 10, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	Reich & Co. Inc. NY	212 425 5020	7 1/2	8	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 3/4	8 1/4	
	P. R. Peterson Co. Mnpls	612 332 1427	7 5/8	8 1/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	7 1/2	8	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 3/8	7 7/8	9392
	* A. P. Montgomery & Co. NY	212 483 0100	7 1/2	8	11061
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 1/4	7 3/4	13035
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Oscar Gruss & Son NY	212 HA5 7171	7 1/2	8	
	Fredericks Clark & Co. Mnpls	612 338 0571			
	Bache & Co. NY	212 797 6830	OW		
	Ladenburg Thalmann NY	212 422 8624	OW		
ATRON CORP. UTS.	Reich & Co. Inc. NY	212 425 5020	16		
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Oscar Gruss & Son NY	212 425 8562	OW		
	Ladenburg Thalmann NY	212 422 8624	OW		
ATRON CORP. WTS.	Reich & Co. Inc. NY	212 425 5020	1 1/4	2	
	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/4	2	
	* A. P. Montgomery & Co. NY	212 483 0100	1 1/4	2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Oscar Gruss & Son NY	212 425 8562	1 1/2	2	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		March 11, 1971	NATIONAL DAILY QUOTATION SERVICE		
	* * *				
ATRON CORP. COM.	Ladenburg Thalmann NY	212 422 8624	OW		
	Fredericks Clark & Co. Mnpls	612 338 0571			
	Oscar Gruss & Son NY	212 HA5 7171	7 3/8	7 3/4	
	Bache & Co. NY	212 797 6830	OW		
	Reich & Co. Inc. NY	212 425 5020	7 1/2	8	
	John G. Kinnard & Co. Mnpls	612 333 1199	7 1/4	7 3/4	
	P. R. Peterson Co. Mnpls	612 332 1427	7 3/8	7 7/8	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 3/8	7 3/4	
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 1/2	8	13035
	* A. P. Montgomery & Co. NY	212 483 0100	7 1/2	8	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 3/8	7 7/8	9392
ATRON CORP. UTS.	Oscar Gruss & Son NY	212 425 8562	OW		
	Ladenburg Thalmann NY	212 422 8624			
	Reich & Co. Inc. NY	212 425 5020			
	G. A. Saxton & Co. Inc. NY	212 483 1282			
ATRON CORP. WTS.	Oscar Gruss & Son NY	212 425 8562	1 1/2	2	
	Reich & Co. Inc. NY	212 425 5020	1 1/2	2 1/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/4	2	
	* A. P. Montgomery & Co. NY	212 483 0100	1 1/4	2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282			
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — March 12, 1971 — NATIONAL DAILY QUOTATION SERVICE

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ATRON CORP. COM.	Ladenburg Thalmann NY	212 422 8624	7 3/4	8 1/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	7 1/2	8	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 3/8	7 7/8	
	P. R. Peterson Co. Mnpls	612 332 1427	7 3/8	7 7/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 5/8	8 1/8	13035
	* A. P. Montgomery & Co. NY	212 483 0100	7 1/2	8	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	7 3/4	8 1/4	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 1/2	8	9392
	Reich & Co. Inc. NY	212 425 5020	7 3/4	8 1/4	
ATRON CORP. UTS.	Ladenburg Thalmann NY	212 422 8624	17 1/4		
	G. A. Saxton & Co. Inc. NY	212 483 1282	16 1/2	18	
	Reich & Co. Inc. NY	212 425 5020			
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/4		
	* A. P. Montgomery & Co. NY	212 483 0100	1 1/4	2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	1 1/2	2 1/4	
	Reich & Co. Inc. NY	212 425 5020	1 1/2	2 1/4	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK	March 15, 1971		NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	G. A. Saxton & Co. Inc. NY	212 483 1282	8	8 1/2	
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 7/8	8 3/8	13035
	* A. P. Montgomery & Co. NY	212 483 0100	7 3/4	8 1/4	11061
	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 3/4	8 1/4	9392
	Reich & Co. Inc. NY	212 425 5020	8 1/8	8 5/8	
	P. R. Peterson Co. Mnpls	612 332 1427	7 3/8	7 5/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	7 1/2	8	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 5/8	8	
	Oscar Gruss & Son NY	212 HA5 7171	8	8 1/2	
	Ladenburg Thalmann NY	212 422 8624			
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	17	18	
	Reich & Co. Inc. NY	212 425 5020	17 1/2		
	Ladenburg Thalmann NY	212 422 8624			
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	1 1/2	2 1/4	
	* A. P. Montgomery & Co. NY	212 483 0100	1 1/2	2 1/4	11061
	Reich & Co. Inc. NY	212 425 5020	1 7/8	2 3/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/4	2	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK March 16, 1971 NATIONAL DAILY QUOTATION SERVICE

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ATRON CORP. COM.	Ladenburg Thalmann NY	212 422 8624	OW		
	Oscar Gruss & Son NY	212 HA5 7171	8 3/8	8 7/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	7 3/4	8 1/4	
	P. R. Peterson Co. Mnpls	612 332 1427	7 3/4	8 1/4	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 7/8	8 3/8	
	* A. P. Montgomery & Co. NY	212 483 0100	8 1/4	8 3/4	11061
	* Mayer & Schweitzer Inc. NY	212 944 6030	8 3/8	8 7/8	13035
	G. A. Saxton & Co. Inc. NY	212 483 1282	8 1/2	9	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	8 1/4	8 3/4	9392
	Reich & Co. Inc. NY	212 425 5020	8 1/2	9	
ATRON CORP. UTS.	Ladenburg Thalmann NY	212 422 8624	OW		
	G. A. Saxton & Co. Inc. NY	212 483 1282	18 1/2	20	
	Reich & Co. Inc. NY	212 425 5020	18		
ATRON CORP. WTS.	Ladenburg Thalmann NY	212 422 8624	2 1/8		
	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/2	2 1/4	
	* A. P. Montgomery & Co. NY	212 483 0100	1 3/4	2 1/2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	2	2 1/2	
	Reich & Co. Inc. NY	212 425 5020	2	2 1/2	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK	March 17, 1971		NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	Ladenburg Thalmann NY	212 422 8624			
	Oscar Gruss & Son NY	212 HA5 7171	8 1/4	8 5/8	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	8	8 1/2	9392
	John G. Kinnard & Co. Mnpls	612 333 1199	7 3/4	8 1/4	
	P. R. Peterson Co. Mnpls	612 332 1427	8 1/4	8 3/4	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	8 1/4	8 3/4	
	* Mayer & Schweitzer Inc. NY	212 944 6030	8 1/4	8 3/4	13035
	* A. P. Montgomery & Co. NY	212 483 0100	8 1/4	8 3/4	11061
	Reich & Co. Inc. NY	212 425 5020	8	8 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	8 1/4	8 3/4	
ATRON CORP. UTS.	Oscar Gruss & Son NY	212 425 8562	OW		
	Ladenburg Thalmann NY	212 422 8624	OW		
	Reich & Co. Inc. NY	212 425 5020	8		
	G. A. Saxton & Co. Inc. NY	212 483 1282			
ATRON CORP. WTS.	Oscar Gruss & Son NY	212 425 8562	OW		
	John G. Kinnard & Co. Mnpls	612 333 1199	1 1/2	2 1/4	
	* A. P. Montgomery & Co. NY	212 483 0100	2	2 3/4	11061
	Reich & Co. Inc. NY	212 425 5020	2	2 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 1/4	2 3/4	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		March 18, 1971	NATIONAL DAILY QUOTATION SERVICE		
	*	*	*		
ATRON CORP. COM.	* A. P. Montgomery & Co. NY	212 483 0100	8 1/8	8 5/8	11061
	* Mayer & Schweitzer Inc. NY	212 944 6030	8	8 1/2	13035
	G. A. Saxton & Co. Inc. NY	212 483 1282	8	8 1/2	
	Reich & Co. Inc. NY	212 425 5020	8	8 1/2	
	P. R. Peterson Co. Mnpls	612 332 1427	8	8 1/2	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	8 1/4	8 5/8	
	Ladenburg Thalmann NY	212 422 8624			
	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 7/8	8 3/8	939
	Oscar Gruss & Son NY	212 HA5 7171	8 1/4	8 3/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	8 1/8	8 5/8	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	18	19 1/2	
	Reich & Co. Inc. NY	212 425 5020	18		
	Ladenburg Thalmann NY	212 422 8624			
ATRON CORP. WTS.	* A. P. Montgomery & Co. NY	212 483 0100	2	2 3/4	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 1/4	2 3/4	
	Reich & Co. Inc. NY	212 425 5020	2	2 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	1 3/4	2 1/2	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		March 19, 1971	NATIONAL DAILY QUOTATION SERVICE		
	*				
ATRON CORP. COM.	Oscar Gruss & Son NY	212 HA5 7171	8 1/4	8 3/4	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 7/8	8 3/8	92
	Ladenburg Thalmann NY	212 422 8624			
	Reich & Co. Inc. NY	212 425 5020	8	8 1/2	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	8 1/8	8 5/8	
	P. R. Peterson Co. Mnpls	612 332 1427	7 7/8	8 3/8	
	G. A. Saxton & Co. Inc. NY	212 483 1282	8	8 1/2	
	* Mayer & Schweitzer Inc. NY	212 944 6030	8	8 1/2	13035
	* A. P. Montgomery & Co. NY	212 483 0100	8	8 1/2	11061
ATRON CORP. UTS.	Ladenburg Thalmann NY	212 422 8624			
	Reich & Co. Inc. NY	212 425 5020	2	2 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	18	19 1/2	
ATRON CORP. WTS.	Ladenburg Thalmann NY	212 422 8624		OW	
	Icahn & Co. NY	212 425 6286	2		
	Reich & Co. Inc. NY	212 425 5020	18		
	G. A. Saxton & Co. Inc. NY	212 483 1282	2	2 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	2	2 3/4	11061

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		March 22, 1971	NATIONAL DAILY QUOTATION SERVICE		
		*	*	*	
ATRON CORP. COM.	* A. P. Montgomery & Co. NY	212 483 0100	8	8 1/2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	8	8 1/2	
	Reich & Co. Inc. NY	212 425 5020	8	8 1/2	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	8	8 3/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	8	8 1/2	
	P. R. Peterson Co. Mnpls	612 332 1427	7 7/8	8 3/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 7/8	8 3/8	13035
	Oscar Gruss & Son NY	212 HA5 7171	8	8 1/2	
	Ladenburg Thalmann NY	212 422 8624			
	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 7/8	8 3/8	39
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	18	19 1/2	
	Reich & Co. Inc. NY	212 425 5020	18		
	Ladenburg Thalmann NY	212 422 8624			
ATRON CORP. WTS.	* A. P. Montgomery & Co. NY	212 483 0100	1 3/4	2 1/2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	2	2 1/2	
	Reich & Co. Inc. NY	212 425 5020	2	2 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	1 3/4	2 1/2	
	Icahn & Co. NY	212 425 6286	2		
	Ladenburg Thalmann NY	212 422 8624	OW		

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		March 23, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	8 1/8	8 3/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	8	8 1/2	
	P. R. Peterson Co. Mnpls	612 332 1427	7 7/8	8 3/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 7/8	8 3/8	13035
	G. A. Saxton & Co. Inc. NY	212 483 1282	7 3/4	8 1/4	
	* A. P. Montgomery & Co. NY	212 483 0100	7 3/4	8 1/4	11061
	Reich & Co. Inc. NY	212 425 5020	8	8 1/2	
	Oscar Gruss & Son NY	212 HA5 7171	8	8 1/2	
	Bache & Co. NY	212 797 6830	OW		
	Ladenburg Thalmann NY	212 422 8624			
	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 3/4	8 1/4	929
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	17 1/2	12	
	Reich & Co. Inc. NY	212 425 5020	18		
	Ladenburg Thalmann NY	212 422 8624			
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	1 3/4	2 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	2	2 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	1 3/4	2 1/2	1106
	Reich & Co. Inc. NY	212 425 5020	2	2 1/2	
	Ladenburg Thalmann NY	212 422 8624	OW		

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		March 24, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	G. A. Saxton & Co. Inc. NY	212 483 1282	8	8 1/2	
	Reich & Co. Inc. NY	212 425 5020	8	8 1/2	
	P. R. Peterson Co. Mnpls	612 332 1427	7 5/8	8 1/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	7 7/8	8 3/8	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 7/8	8 1/4	
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 3/4	8 1/4	13035
	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 3/4	8 1/4	92
	Ladenburg Thalmann NY	212 422 8624			
	* A. P. Montgomery & Co. NY	212 483 0100	7 3/4	8 1/4	110 1
	Oscar Gruss & Son NY	212 HA5 7171	7 3/4	8 1/4	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	18	19 1/2	
	Reich & Co. Inc. NY	212 425 5020	18		
	Ladenburg Thalmann NY	212 422 8624			
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	1 3/4	2 1/4	
	Reich & Co. Inc. NY	212 425 5020	2	2 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	1 3/4	2 1/2	
	Ladenburg Thalmann NY	212 422 8624			
	* A. P. Montgomery & Co. NY	212 483 0100	1 3/4	2 1/2	11061
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		March 25, 1971	NATIONAL DAILY QUOTATION SERVICE		
	*				
ATRON CORP. COM.	Ladenburg Thalmann NY	212 422 8624			
	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 7/8	8 3/8	9
	Paine Webber J&C Inc. NY	212 437 2786	OW		
	Oscar Gruss & Son NY	212 HA5 7171	8 1/8	8 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	* A. P. Montgomery & Co. NY	212 483 0100	8	8 1/2	11061
	Reich & Co. Inc. NY	212 425 5020	7 7/8	8 3/8	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	8	8 3/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	7 3/4	8 1/4	
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 3/4	8 1/4	13035
	P. R. Peterson Co. Mnpls	612 332 1427	7 7/8	8 3/8	
ATRON CORP. UTS.	Ladenburg Thalmann NY	212 422 8624			
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	Reich & Co. Inc. NY	212 425 5020	18		
ATRON CORP. WTS.	Ladenburg Thalmann NY	212 422 8624			
	G. A. Saxton & Co. Inc. NY	212 483 1282			
	* A. P. Montgomery & Co. NY	212 483 0100	1 3/4	2 1/2	11061
	Reich & Co. Inc. NY	212 425 5020	2	2 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	1 3/4	2 1/2	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		March 26, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 3/4	8 1/4	939
	Oscar Gruss & Son NY	212 HA5 7171	8	8 1/2	
	Ladenburg Thalmann NY	212 422 8624	8	8 1/2	
	Paine Webber J&C Inc. NY	212 437 2865			
	* A. P. Montgomery & Co. NY	212 483 0100	8	8 1/2	11 61
	John G. Kinnard & Co. Mnpls	612 333 1199	7 3/4	8 1/4	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	8 1/8	8 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	7 7/8	8 1/4	
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 3/4	8 1/4	13035
	Reich & Co. Inc. NY	212 425 5020	7 7/8	8 3/8	
ATRON CORP. UTS.	Ladenburg Thalmann NY	212 422 8624			
	G. A. Saxton & Co. Inc. NY	212 483 1282	17 1/2	19	
	Reich & Co. Inc. NY	212 425 5020	18		
ATRON CORP. WTS.	Ladenburg Thalmann NY	212 422 8624	OW		
	* A. P. Montgomery & Co. NY	212 483 0100	1 3/4	2 1/2	1106
	John G. Kinnard & Co. Mnpls	612 333 1199	1 3/4	2 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	1 3/4	2 1/4	
	Reich & Co. Inc. NY	212 425 5020	2	2 1/2	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		March 29, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	8	8 3/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 3/4	8 1/4	13035
	John G. Kinnard & Co. Mnpls	612 333 1199	8	8 1/2	
	P. R. Peterson Co. Mnpls	612 332 1427	7 3/4	8 1/4	
	G. A. Saxton & Co. Inc. NY	212 483 1282	7 3/4	8 1/8	
	Reich & Co. Inc. NY	212 425 5020	8	8 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	7 3/4	8 1/4	11061
	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 3/4	8 1/4	9392
	Paine Webber J&C Inc. NY	212 437 2865			
	Ladenburg Thalmann NY	212 422 8624			
	Oscar Gruss & Son NY	212 425 8562	8 1/8	8 1/2	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	17 1/2	19	
	Reich & Co. Inc. NY	212 425 5020			
	Ladenburg Thalmann NY	212 422 8624			
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	1 3/4	2 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	1 3/4	2 1/4	
	Reich & Co. Inc. NY	212 425 5020	2	2 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	1 3/4	2 1/2	11061
	Ladenburg Thalmann NY	212 422 8624			
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		March 30, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	8	8 3/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	8	8 1/2	
	P. R. Peterson Co. Mnpls	612 332 1427	7 3/4	8 1/4	
	* A. P. Montgomery & Co. NY	212 483 0100	7 3/4	8 1/4	11061
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 3/4	8 1/4	13035
	G. A. Saxton & Co. Inc. NY	212 483 1282	7 3/4	8 1/8	
	Reich & Co. Inc. NY	212 425 5020	8	8 1/2	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 3/4	8 1/4	9392
	Oscar Gruss & Son NY	212 425 8562	7 3/4	8 1/4	
	Ladenburg Thalmann NY	212 422 8624			
	Paine Webber J&C Inc. NY	212 437 2865	OW		
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	17 1/2	19	
	Reich & Co. Inc. NY	212 425 5020			
	Ladenburg Thalmann NY	212 422 8624			
ATRO ORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	1 3/4	2 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	1 3/4	2 1/2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	1 3/4	2 1/4	
	Reich & Co. Inc. NY	212 425 5020	1 3/4	2 1/4	
	Ladenburg Thalmann NY	212 422 8624			
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK March 31, 1971 NATIONAL DAILY QUOTATION SERVICE

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ATRON CORP. COM.	John G. Kinnard & Co. Mnpls	612 333 1199	7 7/8	8 3/8	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	8	8 3/8	
	P. R. Peterson Co. Mnpls	612 332 1427	7 3/4	8 1/4	
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 3/4	8 1/4	13035
	G. A. Saxton & Co. Inc. NY	212 483 1282	7 3/4	8 1/8	
	* A. P. Montgomery & Co. NY	212 483 0100	7 3/4	8 1/4	11061
	Reich & Co. Inc. NY	212 425 5020	7 3/4	8 1/4	
	Bache & Co. NY	212 797 6830	OW		
	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 3/4	8 1/4	9392
	Paine Webber J&C Inc. NY	212 437 2865	OW		
	Oscar Gruss & Son NY	212 425 8562	7 3/4	8 1/4	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	17 1/2	19	
	Reich & Co. Inc. NY	212 425 5020	17		
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	1 3/4	2 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	1 3/4	2 1/4	
	* A. P. Montgomery & Co. NY	212 483 0100	1 3/4	2 1/2	11061
	Reich & Co. Inc. NY	212 425 5020	1 5/8	2 1/8	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		April 1, 1971	NATIONAL DAILY QUOTATION SERVICE		
	*	*	*		
ATRON CORP. COM.	* Mayer & Schweitzer Inc. NY	212 944 6030	7 3/4	8 1/4	13035
	* A. P. Montgomery & Co. NY	212 483 0100	7 3/4	8 1/4	11061
	John G. Kinnard & Co. Mnpls	612 333 1199	7 3/4	8 1/4	
	P. R. Peterson Co Mnpls	612 332 1427	7 3/4	8 1/4	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 7/8	8 1/4	
	G. A. Saxton & Co. Inc. NY	212 483 1282	7 3/4	8 1/8	
	Reich & Co. Inc. NY	212 425 5020	7 5/8	8 1/8	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 3/4	8 1/4	9392
	Paine Webber J&C Inc. NY	212 437 2865	OW		
	Bache & Co. NY	212 797 6830	OW		
	Oscar Gruss & Son NY	212 425 8562	8	8 1/2	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	17 1/2	19	
	Reich & Co. Inc. NY	212 425 5020	17		
ATRON CORP. WTS.	* A. P. Montgomery & Co. NY	212 483 0100	1 3/4	2 1/2	11061
	John G. Kinnard & Co. Mnpls	612 333 1199	1 3/4	2 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	1 3/4	2 1/4	
	Reich & Co. Inc. NY	212 425 5020	1 3/4	2 1/4	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — April 2, 1971 — NATIONAL DAILY QUOTATION SERVICE

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ATRON CORP. COM.	Oscar Gruss & Son NY	212 425 8562	8 1/8	8 5/8	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	7 3/4	8 1/4	9392
	Paine Webber J&C Inc. NY	212 437 2865	OW		
	John G. Kinnard & Co. Mnpls	612 333 1199	7 3/4	8 1/4	
	P. R. Peterson Co. Mnpls	612 332 1427	7 3/4	8 1/4	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 7/8	8 1/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	7 3/4	8 1/4	13035
	Reich & Co. Inc. NY	212 425 5020	8 1/4	8 3/4	
	* A. P. Montgomery & Co. NY	212 483 0100	7 3/4	8 1/4	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	7 3/4	8 1/8	
ATRON CORP. UTS.	Reich & Co. Inc. NY	212 425 5020	18		
	G. A. Saxton & Co. Inc. NY	212 483 1282	17 1/2	19	
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	1 3/4	2 1/2	
	Reich & Co. Inc. NY	212 425 5020	1 7/8	2 3/8	
	G. A. Saxton & Co. Inc. NY	212 483 1282	1 3/4	2 1/4	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK April 5, 1971 NATIONAL DAILY QUOTATION SERVICE

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ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	7 3/4	8 1/8	
	P. R. Peterson Co. Mnpls	612 332 1427	7 3/4	8 1/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	7 3/4	8 1/4	
	G. A. Saxton & Co. Inc. NY	212 483 1282	8 1/2	9	
	* Mayer & Schweitzer Inc. NY	212 944 6030	8 1/8	8 5/8	13035
	* A. P. Montgomery & Co. NY	212 483 0100	8 1/4	8 3/4	11061
	Reich & Co. Inc. NY	212 425 5020	8 1/2	9	
	Bache & Co. NY	212 797 6830	OW		
	Paine Webber J&C Inc. NY	212 437 2865	OW		
	Oscar Gruss & Son NY	212 425 8562	8 1/2	9	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	8 1/4	8 3/4	9392
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	18 1/2	20	
	Reich & Co. Inc. NY	212 425 5020	18		
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	3 1/8	3 1/2	
	G. A. Saxton & Co. Inc. NY	212 483 1282	1 3/4	2 1/4	
	Reich & Co. Inc. NY	212 425 5020	2 1/8	2 5/8	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — April 6, 1971 — NATIONAL DAILY QUOTATION SERVICE

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ATRON CORP. COM.	G. A. Saxton & Co. Inc. NY	212 483 1282	8 7/8	9 3/8	
	* A. P. Montgomery & Co. NY	212 483 0100	8 1/2	9	11061
	* Mayer & Schweitzer Inc. NY	212 944 6030	8 3/4	9 1/4	13035
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	8 3/8	8 3/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	7 7/8	8 3/8	
	P. R. Peterson Co. Mnpls	612 332 1427	8 1/4	8 3/4	
	Reich & Co. Inc. NY	212 425 5020	8 1/2	9	
	Bache & Co. NY	212 797 6830	OW		
	Oscar Gruss & Son NY	212 425 8562	8 5/8	9 1/8	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	8 5/8	9 1/2	9392
	Paine Webber J&C Inc. NY	212 437 2865			
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	20	20 1/2	
	Reich & Co. Inc. NY	212 425 5020	18		
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	2	2 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	1 3/4	2 1/2	
	Reich & Co. Inc. NY	212 425 5020	2		

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK April 7, 1971 NATIONAL DAILY QUOTATION SERVICE

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ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	8 3/4	9 1/4	
	P. R. Peterson Co. Mnpls	612 332 1427	8 5/8	9 1/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	8 5/8	9 1/8	13035
	* A. P. Montgomery & Co. NY	212 483 0100	8 5/8	9 1/8	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	8 7/8	9 3/8	
	Reich & Co. Inc. NY	212 425 8870	8 3/4	9 1/4	
	Bache & Co. NY	212 797 6830	OW		
	* M. S. Wien & Co. Inc. J CY	212 227 4300	8 5/8	9 1/8	9392
	Oscar Gruss & Son NY	212 425 8562	8 5/8	9 1/8	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	20	21 1/2	
	Reich & Co. Inc. NY	212 425 8870	19	21	
ATRON CORP. WTS.	* A. P. Montgomery & Co. NY	212 483 0100			11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 1/4	3	
	Reich & Co. Inc. NY	212 425 8870	2	2 1/2	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		April 8, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	G. A. Saxton & Co. Inc. NY	212 483 1282	8 3/4	9 1/4	
	* A. P. Montgomery & Co. NY	212 483 0100	8 5/8	9 1/8	11061
	Reich & Co. Inc. NY	212 425 5020			
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	8 3/4	9 1/4	
	P. R. Peterson Co. Mnpls	612 332 1427	8 5/8	9 1/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	8 5/8	9 1/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	8 5/8	9 1/8	13035
	* M. S. Wien & Co. Inc. J CY	212 227 4300	8 3/4	9 1/4	9392
	Oscar Gruss & Son NY	212 425 8562	8 3/8	8 7/8	
	Bache & Co. NY	212 797 6830	OW		
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	20	21 1/2	
	Reich & Co. Inc. NY	212 425 5020			
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	2 1/2	3 1/4	
	Reich & Co. Inc. NY	212 425 5020			
	John G. Kinnard & Co. Mnpls	612 333 1199	1 3/4	2 1/2	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		April 12, 1971	NATIONAL DAILY QUOTATION SERVICE		
	*				
ATRON CORP. COM.	* Mayer & Schweitzer Inc. NY	212 944 6030	8 5/8	9 1/8	13035
	* A. P. Montgomery & Co. NY	212 483 0100	8 5/8	9 1/8	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	8 7/8	9 3/8	
	Reich & Co. Inc. NY	212 425 5020	9	9 1/2	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	8 7/8	9 1/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	8 5/8	9 1/8	
	P. R. Peterson Co. Mnpls	612 332 1427	8 5/8	9 1/8	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	8 5/8	9 1/8	9392
	Oscar Gruss & Son NY	212 425 8562	8 5/8	9 1/8	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	20	21 1/2	
	Reich & Co. Inc. NY	212 425 5020	18 1/2		
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	2 1/2	3 1/2	
	Reich & Co. Inc. NY	212 425 5020	2 1/4	3	
	John G. Kinnard & Co. Mnpls	612 333 I199	2	2 1/2	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		April 13, 1971	NATIONAL DAILY QUOTATION SERVICE		
	*	*	*		
ATRON CORP. COM.	* A. P. Montgomery & Co. NY	212 483 0100	8 7/8	9 3/8	11061
	* Mayer & Schweitzer Inc. NY	212 944 6030	8 7/8	9 3/8	13035
	G. A. Saxton & Co. Inc. NY	212 483 1282	9 1/8	9 5/8	
	P. R. Peterson Co. Mnpls	612 332 1427	8 3/4	9 1/4	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	8 7/8	9 1/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	8 5/8	9 1/8	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	8 7/8	9 3/8	9392
	Oscar Gruss & Son NY	212 425 8562	9 1/4	9 3/4	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	20 1/2	22	
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	3	4	
	John G. Kinnard & Co. Mnpls	612 333 1199	2 1/2	3 1/4	
	*	*	*		

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		April 14, 1971	NATIONAL DAILY QUOTATION SERVICE		
	*				
ATRON CORP. COM.	* Mayer & Schweitzer Inc. NY	212 944 6030	9	9 1/2	13035
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	9	9 3/8	
	P. R. Peterson Co. Mnpls	612 332 1427	9	9 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	8 5/8	9 1/8	
	* A. P. Montgomery & Co. NY	212 483 0100	9	9 1/2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	9	9 1/2	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	9	9 1/2	9392
	Oscar Gruss & Son NY	212 425 8562	9 1/8	9 5/8	
	Abraham & Co. NY	212 732 6246	OW		
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	20 1/2	22	
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	3	4	
	John G. Kinnard & Co. Mnpls	612 333 1199	2 1/2	3 1/4	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		April 15, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	G. A. Saxton & Co. Inc. NY	212 483 1282	9	9 1/2	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	9 1/8	9 1/2	
	P. R. Peterson Co. Mnpls	612 332 1427	9	9 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	8 7/8	9 3/8	
	* A. P. Montgomery & Co. NY	212 483 0100			11061
	* Mayer & Schweitzer Inc. NY	212 944 6030	8 7/8	9 3/8	13035
	Abraham & Co. NY	212 732 6246			
	* M. S. Wien & Co. Inc. J CY	212 227 4300	8 7/8	9 3/8	9392
	Oscar Gruss & Son NY	212 425 8562	9 1/4	9 3/4	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	20	23	
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	3	4	
	John G. Kinnard & Co. Mnpls	612 333 1199	2 1/2	3 1/4	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		April 16, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	9	9 1/2	
	P. R. Peterson Co. Mnpls	612 332 1427	8 7/8	9 3/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	8 7/8	9 3/8	
	* A. P. Montgomery & Co. NY	212 483 0100	8 3/4	9 1/4	11061
	* Mayer & Schweitzer Inc. NY	212 944 6030	8 7/8	9 3/8	13035
	G. A. Saxton & Co. Inc. NY	212 483 1282	9	9 1/2	
	Oscar Gruss & Son NY	212 425 8562	9	9 1/2	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	8 7/8	9 3/8	9392
	Abraham & Co. NY	212 732 6246			
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	20	20	
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	2 1/4	3	
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 1/2	3 1/2	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		April 19, 1971	NATIONAL DAILY QUOTATION SERVICE		
	*				
ATRON CORP. COM.	*	A. P. Montgomery & Co. NY	212 483 0100		11061
		G. A. Saxton & Co. Inc. NY	212 483 1282	9 9 1/4	
		John G. Kinnard & Co. Mnpls	612 333 1199	8 3/4 9 1/4	
		G. J. Bratter & Co. Inc. Mnpls	612 339 8051	9 9 1/2	
		P. R. Peterson Co. Mnpls	612 332 1427	8 7/8 9 3/8	
	*	Mayer & Schweitzer Inc. NY	212 944 6030	9 9 1/2	13035
		Abraham & Co. NY	212 732 6246		
	*	M. S. Wien & Co. Inc. J CY	212 227 4300	8 7/8 9 3/8	9392
		Oscar Gruss & Son NY	212 425 8562	9 9 1/2	
ATRON CORP. UTS.		G. A. Saxton & Co. Inc. NY	212 483 1282	20 23	
ATRON CORP. WTS.		G. A. Saxton & Co. Inc. NY	212 483 1282	2 1/2 3 1/2	
		John G. Kinnard & Co. Mnpls	612 333 1199	2 1/4 3	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK	April 20, 1971		NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	9	9 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	8 7/8	9 3/8	
	* A. P. Montgomery & Co. NY	212 483 0100			11061
	* Mayer & Schweitzer Inc. NY	212 944 6030	9	9 1/2	13035
	G. A. Saxton & Co. Inc. NY	212 483 1282	9	9 1/2	
	Oscar Gruss & Son NY	212 425 8562	9 1/4	9 5/8	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	8 7/8	9 3/8	9392
	Abraham & Co. NY	212 732 6246	9		
	Paine Webber J&C Inc. NY	212 437 2865	OW		
	P. R. Peterson Co. Mnpls	612 332 1427	8 7/8	9 3/8	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	20	23	
ATRON CORP. WTS.	John G. Kinnard & Co. Mnpls	612 333 1199	2 1/4	3	
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 1/2	3 1/2	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		April 21, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	* A. P. Montgomery & Co. NY	212 483 0100	9	9 1/2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	9	9 1/2	
	Bache & Co. NY	212 797 6830	OW		
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	9 1/8	9 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	8 3/4	9 1/4	
	* Mayer & Schweitzer Inc. NY	212 944 6030	9	9 1/2	13035
	Paine Webber J&C Inc. NY	212 437 2865	OW		
	* M. S. Wien & Co. Inc. J CY	212 227 4300	9	9 1/2	9392
	Abraham & Co. NY	212 732 6246	9		
	Ladenburg Thalmann NY	212 422 8624	9 1/8	9 5/8	
	Oscar Gruss & Son NY	212 425 8562	9	9 1/2	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	20	23	
	John G. Kinnard & Co. Mnpls	612 333 1199	2 1/4	3	
	Ladenburg Thalmann NY	212 422 8624	OW		
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	2 1/2	3 1/2	
	Ladenburg Thalmann NY	212 422 8624	2 1/4	3	

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		April 22, 1971	NATIONAL DAILY QUOTATION SERVICE		
	*	*	*		
ATRON CORP. COM.	John G. Kinnard & Co. Mnpls	612 333 1199	8 7/8	9 3/8	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	9 1/8	9 1/2	
	P. R. Peterson Co. Mnpls	612 332 1427	8 7/8	9 3/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	9	9 1/2	13035
	* A. P. Montgomery & Co. NY	212 483 0100	8 7/8	9 3/8	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	9	9 1/2	
	Paine Webber J&C Inc. NY	212 437 2865	OW		
	Abraham & Co. NY	212 732 6246	9		
	* M. S. Wien & Co. Inc. J CY	212 227 4300	9	9 1/2	9392
	Burnham & Co. NY	212 DI4 0922			
	Ladenburg Thalmann NY	212 422 8624	9	9 1/2	
	Oscar Gruss & Son NY	212 425 8562	9 1/8	9 5/8	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	20	23	
	Ladenburg Thalmann NY	212 422 8624	OW		
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	2 1/2	3 1/8	
	Ladenburg Thalmann NY	212 422 8624	2 1/2	3 1/2	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK April 23, 1971 NATIONAL DAILY QUOTATION SERVICE

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ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	9 1/8	9 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	8 7/8	9 3/8	
	P. R. Peterson Co. Mnpls	612 332 1427	9	9 1/2	
	* Mayer & Schweitzer Inc. NY	212 944 6030	8 7/8	9 3/8	13035
	G. A. Saxton & Co. Inc. NY	212 483 1282	9 1/4	9 3/4	
	* A. P. Montgomery & Co. NY	212 483 0100	9 1/8	9 5/8	11061
	Abraham & Co. NY	212 732 6246	9		
	* M. S. Wien & Co. Inc. J CY	212 227 4300	9	9 1/2	9392
	Burnham & Co. NY	212 DI4 0922			
	Oscar Gruss & Son NY	212 425 8562	9 1/8	9 5/8	
	Ladenburg Thalmann NY	212 422 8624	OW		
	Paine Webber J&C Inc. NY	212 437 2865	OW		
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	20 1/2		
	Ladenburg Thalmann NY	212 422 8624	OW		
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	2 1/2	3 1/2	
	Ladenburg Thalmann NY	212 422 8624	OW		

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		April 26, 1971	NATIONAL DAILY QUOTATION SERVICE		
	*				
ATRON CORP. COM.	* A. P. Montgomery & Co. NY	212 483 0100	10 1/2	11	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	10 1/2	11	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	9	9 1/2	
	John G. Kinnard & Co. Mnpls	612 333 1199	8 7/8	9 3/8	
	P. R. Peterson Co. Mnpls	612 332 1427	9 1/8	9 5/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	10 5/8	11 1/8	13035
	Oscar Gruss & Son NY	212 425 8562	10 1/2	11	
	L. F. Rothschild & Co. NY	212 425 3300	OW		
	* M. S. Wien & Co. Inc. J CY	212 227 4300	10 1/2	11	9392
	Burnham & Co. NY	212 DI4 0922			
	Ladenburg Thalmann NY	212 422 8624	10 3/4	11 1/4	
	Paine Webber J&C Inc. NY	212 437 2865	OW		
	Abraham & Co. NY	212 732 6246			
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	23		
	Ladenburg Thalmann NY	212 422 8624	23	26	
ATRON CORP. WTS.	* A. P. Montgomery & Co. NY	212 483 0100	2 3/4	3 1/2	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	2 3/4	3 3/4	
	Ladenburg Thalmann NY	212 422 8624	2 5/8	3 1/8	
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — April 27, 1971 — NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	10 1/2	11	
	John G. Kinnard & Co. Mnpls	612 333 1199	9 1/8	9 5/8	
	Oscar Gruss & Son NY	212 425 8562			
	* Mayer & Schweitzer Inc. NY	212 944 6030	11	11 1/2	13035
	* A. P. Montgomery & Co. NY	212 483 0100			11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	11	11 1/2	
	Bache & Co. NY	212 797 6830	OW		
	Abraham & Co. NY	212 732 6246			
	Paine Webber J&C Inc. NY	212 437 2865	OW		
	* M. S. Wien & Co. Inc. J CY	212 227 4300	10 3/4	11 1/4	9392
	Kaufmann Alsberg & Co. NY	212 DI4 2700	9 3/4		
	Oscar Gruss & Son NY	212 425 8562	11	11 1/2	
	Ladenburg Thalmann NY	212 422 8624	OW		
	L. F. Rothschild & Co. NY	212 425 3300	OW		
	Burnham & Co. NY	212 DI4 0922			
	P. R. Peterson Co. Mnpls	612 332 1427	10 1/2	11	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	25		
	Ladenburg Thalmann NY	212 422 8624	OW		
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	3 3/4	4 1/2	
	Ladenburg Thalmann NY	212 422 8624	OW		

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		April 28, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	Bache & Co. NY	212 797 6830	OW		
	G. A. Saxton & Co. Inc. NY	212 483 1282	11	11 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100			11061
	* Mayer & Schweitzer Inc. NY	212 944 6030	11	11 1/2	13035
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	10 7/8	11 3/8	
	P. R. Peterson Co. Mnpls	612 332 1427	10 7/8	11 3/8	
	John G. Kinnard & Co. Mnpls	612 333 1199	10 3/8	10 7/8	
	* M. S. Wien & Co. Inc. J CY	212 227 4300	11 1/8	11 5/8	9392
	Burnham & Co. NY	212 DI4 0922			
	Kaufman Alsberg & Co. NY	212 DI4 2700	9 3/4		
	Oscar Gruss & Son NY	212 425 8562	11 1/4	11 3/4	
	Ladenburg Thalmann NY	212 422 8624	OW		
	L. F. Rothschild & Co. NY	212 425 3300	11 1/8	11 1/2	
	Abraham & Co. NY	212 732 6246			
	Paine Webber J&C Inc. NY	212 437 2865	OW		
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	25		
	Ladenburg Thalmann NY	212 422 8624	OW		
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	3 3/4	4 1/2	
	Ladenburg Thalmann NY	212 422 8624	OW		
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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK		April 29, 1971	NATIONAL DAILY QUOTATION SERVICE		
		* * *			
ATRON CORP. COM.	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	10 7/8	11 3/8	
	P. R. Peterson Co. Mnpls	612 332 1427	11 1/8	11 5/8	
	* Mayer & Schweitzer Inc. NY	212 944 6030	10 7/8	11 3/8	13035
	* A. P. Montgomery & Co. NY	212 483 0100			11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	11	11 1/2	
	Ladenburg Thalmann NY	212 422 8624	11 1/8	11 1/2	
	Paine Webber J&C Inc. NY	212 437 2865	OW		
	* M. S. Wien & Co. Inc. J CY	212 227 4300	10 7/8	11 3/8	9392
	Abraham & Co. NY	212 732 6246			
	L. F. Rothschild & Co. NY	212 425 3300	11	11 1/2	
	Kaufmann Alsberg & Co. NY	212 DI4 2700	9 3/4		
	Burnham & Co. NY	212 DI4 0922			
	Oscar Gruss & Son NY	212 425 8562	11	11 1/2	
	* A. P. Montgomery & Co. NY	212 483 0100	11	11 1/2	11061
	John G. Kinnard & Co. Mnpls	612 333 1199	10 7/8	11 3/8	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	25		
	Ladenburg Thalmann NY	212 422 8624	OW		
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	3 3/4	4 1/2	
	Ladenburg Thalmann NY	212 422 8624	3 3/4	4 1/4	
	John G. Kinnard & Co. Mnpls	612 333 1199	3 1/2	4	
		* * *			

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DEFENDANT'S EXHIBIT Z

[Atron Entries Only]

STOCK — April 30, 1971 — NATIONAL DAILY QUOTATION SERVICE

* * *

ATRON CORP. COM.	* Mayer & Schweitzer Inc. NY	212 944 6030			13035
	P. R. Peterson Co. Mnpls	612 332 1427	10 7/8	11 3/8	
	G. J. Bratter & Co. Inc. Mnpls	612 339 8051	10 3/4	11 1/4	
	* A. P. Montgomery & Co. NY	212 483 0100	10 7/8	11 3/8	11061
	G. A. Saxton & Co. Inc. NY	212 483 1282	10 7/8	11 3/8	
	Ladenburg Thalmann NY	212 422 8624	11	11 1/4	
	Kaufman Alsberg & Co. NY	212 DI4 2700	9 1/2		
	Abraham & Co. NY	212 732 6246			
	* M. S. Wien & Co. Inc. J CY	212 227 4300	10 5/8	11 1/8	9392
	Oscar Gruss & Son NY	212 425 8562	10 3/4	11 1/4	
	Paine Webber J&C Inc. NY	212 437 2865	OW		
	Herzfeld & Stern NY	212 HA2 8684	11		
	Burnham & Co. NY	212 DI4 0922			
	L. F. Rothschild & Co. NY	212 425 3300	10 3/4	11 1/4	
ATRON CORP. UTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	25		
	Ladenburg Thalmann NY	212 422 8624	OW		
ATRON CORP. WTS.	G. A. Saxton & Co. Inc. NY	212 483 1282	4	5	
	Ladenburg Thalmann NY	212 422 8624	OW		

* * *

873a

King of Prussia

1) [illegible]
2) Wilkes
3) Dave Hample

Defendants' Exhibit AA

MDS

5/4/71

orders for 2400 $9.3MM — includes 2501 and Mag 1.

— E.U. backlog April 20 all time high

— turnaround

April EU ended shipment at all time high in Sept 6

ptp tape drive

programmable terminal 2750

April 30 fiscal year

- establish reserve for 1100's
- " " " sold lines
- end sale of lines

1500 marketing organ — all dispersed

"def. systems in domestic business"

extension of 2400

- any code for communication
- 2750, 360/20, Univac, CDC
- RPG/2

2454 1000 (CPM) card reader
2447 400 CPM 200 CPM chain

Defendants' Exhibit AA

E.U. Backlog

$35 MM last qrtr

$44 MM end April - record high

- ~~include~~ exclude only firm backlog

- 2400

75 systems $4.5 MM

2501.00 " $5.0 MM

$9.3

month 117 2400 } latter of mid

30 2501

if included ⇒ $55 MM backlog

no improvement in OEM backlog

7250 & 2700

2400, Group 2 of 5 announcements

(Altos Data Manager runs MDS 7250 which is replacement IBM 2200)

Defendants' Exhibit AA

will produce in Europe next year

2007

PloP Tape Drive — July for sale

— 2401 IBM

IBM 1/2 $500 $330

$300

$270

maybe 50, 25, 25 $

— very conservative degree.

— very attractive long term lease

nearest competitor is $400

and SOLR — $ 7 MM

— will probably treat as rental equip

IBM is only product in 2401

but 2401 is used on 360/22

set aside reserves for 1100

— list of returns in last year

— at moment is passive shipment

King of Prussia

100,000 sq feet at K of Prussia

— 50,000 ft for Tape Drives + Matrix Printer

2171 reader punch

2151 tape readers + punches

new 1600 / 1800 switchable Tape Drive

Defendants' Exhibit AA

biggest constraint is Europe is lack of customer eng. (install + maint.)

may keep 20,20,20,20,5,5,5,5 degree on 2400 or if ITC comes back will be able to take all of it

reserve on 1100's 10.5 a little low

Key Early Mkt.

1) Free Standing

★ purchasing 6400's at record rate

2) Cluster

- only one 2400 system
- 9000 system -
  - may sell several recently
  - 9 priced 3 times since 80's

3) Free Standing Terminal (Vestar, Cygnet)

(dept of power but very cheap)

- mid products 12-15,000 key entry devices in new FY '92

- have new key entry devices on way both for standalone + cluster
- key to overall products 17 mm to 7 mm

878a

Defendants' Exhibit AA

World Wide L/S (excl NCR, OEM, agencies)
as is greater than 90%

long line contract (3 & 5
- over 50% is Europe
- never before domestically but now have changed LT. lower + good response
- almost every 2400 on 5 yrs
- 750 E of 2501 on 5 yrs
appears to be an expansion

is but greater 7100 units on long line contract, many conversions - thus big but on 49 DATIS unit and line rental go credit

NCR ordering more units in last 2 mos

OEM backlog = end of Jan great up a little due to NCR

NCR + 2400
- new probably domestically
- in Europe as agent yes

Defendants' Exhibit AA

units in April is greatest net new units installed since

May, June, July
are now 19, not 2400's

in August will see building in 2400/2500 see prod to 20 to 40/week by Jan-Feb-March greater 2501 at 10/week more

MDS lost 5 major accounts to key-to-disc (big accounts)
- but majority of key type in <5 unit installation

shipping over 9000; taken away one else except master Export

Colorado Inst.
- 9/1 not 7/1
- treat as purchase
- do in June
- backlog ± 1.75 mm not $2.5 mm
- data collection agency
- draw developer using charge + rebuild keyboard - will cut 50% of cost (mfg)

880a

Defendants' Exhibit AA

-63,500 shares of MDS

Financial

- Capital expenditures

$4-5 MM FY'71 + $12MM FY'71 + $21MM FY'72 ← exclude 2400

1970 $11MM

have excess tax reserves, will be low in FY'71

45-49 & rate in FY'72

interest FY'71 $5MM FY'72 $6 MM

	'70	'71	'72
Sprucewood	10.5	14	16.5

↑ as above excludes $3 MM of SOLR

R+D (net of tax credits, misc+n) 7.5 - 8.

SG+A will go up a lot

Margins

- tend to improve as both R+D + SG+A level off in FY'71
- L.T. Leases will add back reserves + depreciation => ↑, ∴ about flat

Defendants' Exhibit AA

?

resbib 50 & 8K cost 25-30¢ /sq

in first 100 2400's $1500-1600

due to most are comm. type
+ also point station

- is modular so can add-on to

- expect 2400 Comm to be
less than 50% of 2400
shipments long run

- 5¢

$55 mm of financing will run out
at end of CY '72 so can
effect a financing in '72

see no weakening in European area
- mainframes say they are seeing
weakening
- still expect it

conversion of 1100 being emphasized -
would be $500,000 / yr.

mfg cost = 15 mm
total cost in 24 mm

Defendants' Exhibit AA

many 2400's [illegible] may potentially be multiple orders - not (f
in letters of intent

legal delays on getting orders
due to 1) size
2) 5 year vs month to month lease

2400 meets std of mfg cost in 15 mm
+ total (mfg + overhead + mkt) cost in
24 mms. (maybe not if bigger than
expected option
in 1st yr will not
make $ profits if allocate
all costs but

Cdtb over half qualified
to mkt 2400
>= 400 ... orders sales
350-400 sales support, including
100 negative
700-750 service

still
adding
up grading

- toughest probe will be SE's support
- will not provide general purpose software
- will function such orders unless
- will refer to outside software houses

- MDC is inefficient but ease

4745 200 450 [illegible]

Defendants' Exhibit AA

on 2400/2501/7250
- 20 mk. - 4 cut at peak orders prod.

- 2-4,000 system in 1st 3 years

- expect prod for 3-5 years
add life of 3-5 years, i.
6-10 year life

in FY 72 OEM sales >45, <60 mm
OEM shipments lag orders
by 6 mos
∴ even if had $ in orders,
hard to ships
- but could be savvy if
Agency sales indust subj up

only 10% of subj cost of 2400
was A Trim, ∴ OEM
business is bound to get weaker

think will have Δ$ in RES
of 2400 in 10 (mostly) and
will continue

Defendants' Exhibit AA

for 2501
4-7 each to ship
4 each to install & get rent
for 2400, expect 4-6 each to install
+ get rent

Defendants' Exhibit AC

[Graph of Market Prices of Data Sciences Corporation and Atron Corporation, January 4 - May 10, 1971]

NOT REPRODUCED IN APPENDIX

BECAUSE OF UNUSUAL BULK

Defendants' Exhibit AE

[Graph of Market Prices of Various NYSE and AMEX-Listed Computer Equipment Stocks, January - December, 1971]

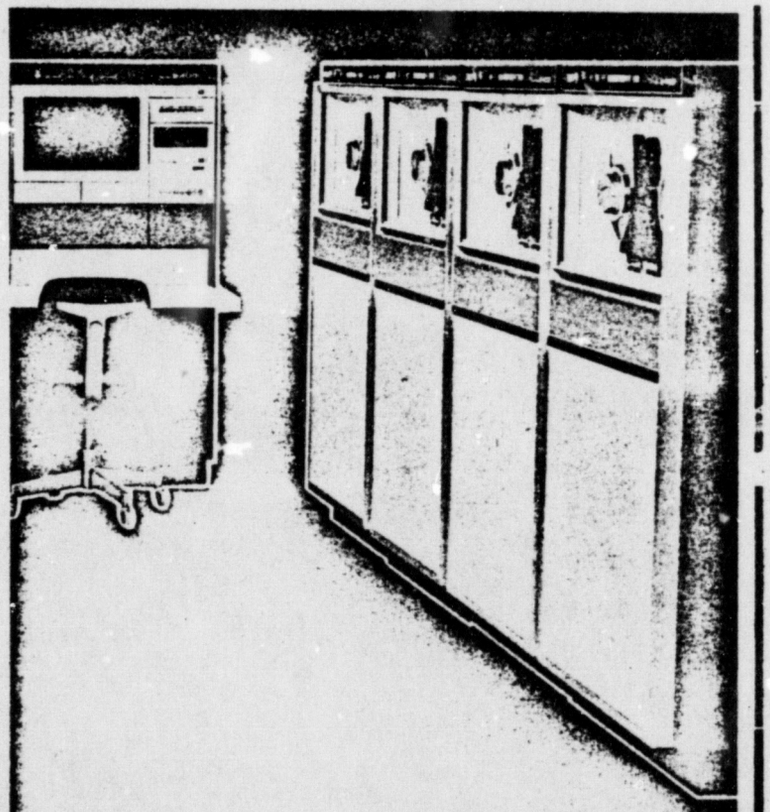
NOT REPRODUCED IN APPENDIX

BECAUSE OF UNUSUAL BULK

Defendants' Exhibit AF

MDS

Mohawk Data Sciences Corp.



Report to our stockholders
for the six months
ended January 31, 1971

Defendants' Exhibit AF

To Our Shareholders:

Net income from consolidated worldwide operations for the second quarter ended January 31, 1971 was $1,080,000 or 20¢ per share of common stock compared to $2,060,000 and 38¢ per share reported a year ago. Total revenues in the quarter amounted to $23,305,000, including $12,385,000 from rentals and service, compared to revenues of $25,880,000 and rental and service income of $9,105,000 in the corresponding period in fiscal 1970.

In the first half of the current fiscal year, net income equalled $2,345,000 or 43¢ per share. For the first half of the previous year, net income and per share earnings were $4,085,000 and 75¢, respectively, including a non-recurring gain of $275,000 or 5¢ per share from the revaluation of foreign currencies. Total revenues in the first six months of fiscal 1971 were $45,085,000, of which $24,045,000 came from rentals and service. The comparable figures a year ago were $50,835,000 and $17,015,000, respectively.

Despite lower placements of machines in the domestic end user market during the past year, MDS's aggregate rental and service income advanced approximately 40% in the second quarter and the six month period over those of the corresponding periods a year ago. Moreover, the rate of growth in rentals and service—a more useful indicator of trends—accelerated during the last three months. The $725,000 incremental quarterly gain in rental and service income (the difference between aggregate totals in the second compared to the first quarter) was up approximately 25% over the $590,000 increment of growth in rentals and service shown in the first quarter over the preceding three month period.

Domestic end user orders picked up in the latter part of the second quarter. This increase, together with the strong orders received by the European and Canadian operations, resulted in the largest increase in end user backlog experienced in any quarter in the Company's history. The upturn was felt broadly across almost all product lines and has continued to date, encouraging us to hope that the worst effects of the U.S. recession are over. While management is closely monitoring developments abroad, foreign demand for the Company's products continues unabated.

Net sales in the United States, on the other hand, again were down sharply from the comparable year-ago period, although some improvement was registered over the first quarter level. While the uptrend in orders of the worldwide rental market has not yet carried over to the sale segment of the business, our OEM marketing organization has submitted a substantial number of significant proposals to both existing and potential customers in anticipation of an expansion in these areas.

A few weeks ago, MDS introduced to the end user market its System 2400, a highly flexible sys-

Defendants' Exhibit AF

tem with a wide range of peripherals interfaced with a high performance peripheral processor. The new system was designed for use with the third generation of computers, and timed to coincide with the initial phase of the new IBM System / 370 cycle. The MDS marketing organization both here and abroad has shown great enthusiasm over the prospects of the System 2400 and initial market reception has been most gratifying.

While the System 2400 may prove to be the most significant new product development thus far in the Company's history, it should be noted that deliveries are not scheduled to commence until almost the end of the current fiscal year. Moreover, as a rental product—even a highly successful one—its impact on earnings will not be immediate, but will be spread over the duration of its rental life. On the other hand, the installation of 2400s should accelerate the expansion of MDS's rental base, providing a ready market for new peripherals as they are added to the product line.

Mr. Daniel Van der Plassche, on leave of absence as Managing Director of MDS-Belgium S.A., has been responsible for developing and directing the System 2400 program at corporate headquarters. His involvement with the 2400 as project manager has been a total one—from engineering scheduling, software development and marketing planning. He deserves our congratulations for this phase of a difficult job well done.

A key component of the System 2400 is the peripheral processor developed by Atron Corporation together with our engineers. We have worked closely with Atron since its founding over two years ago, are its largest customer, and currently own 195,000 of its 1,088,573 outstanding shares. The Boards of both companies have approved a merger agreement, calling for the exchange of one share of MDS Common for four shares of Atron.

On March 11, 1971, the Company announced a proposed merger with Colorado Instruments, Inc., a manufacturer of source data collection systems. As is the case with Atron, MDS has a long standing relationship with Colorado Instruments' management, and markets certain of that Company's products. The exchange ratio has been established at one share of MDS Common for seven shares of Colorado Instruments.

The foregoing merger agreements, which will result in the issuance of a total of 30[illegible]000 shares of MDS Common Stock, will be submitted to the shareholders of Atron and Colorado Instruments for their respective approval. Since these companies lease their products to end users, and because of the significant amount of engineering and development costs which will be expensed, these mergers will have a negative impact—albeit a small one—on MDS's earnings. At the same time, the merged companies will bring to MDS both a broadened product line and a depth of professional expertise of significant value to the combined companies' future growth.

Defendants' Exhibit AF

MDS over the past several years has supplied various equipment under subcontract to the Department of Defense's "AUTODIN" worldwide digital communications network. These difficult commitments, inherited with prior acquisitions, were concluded about a year ago. In January 1971, MDS received new contracts aggregating $2.4 million for deliveries of additional equipment beginning in the Fall of 1971.

The Company recognizes that the increasing complexity of its product line will continue to require a sophisticated systems selling effort and extensive marketing support. To a large extent, the members of the more recently organized European sales force have prior systems experience, and MDS over the past nine months has been substantially upgrading the domestic marketing organization in anticipation of this requirement. Through replacements and additions to the sales force and the retraining of existing personnel, a majority of the domestic salesmen today have the capability to sell larger systems.

In addition, the Company has prepared for this next phase of its development by reorganizing several top level marketing functions. Mr. John J. Egan, Jr., formerly a senior marketing executive with the UNIVAC Division of Sperry Rand Corporation, joined MDS as Vice President—End User Marketing, and Mr. A. W. Hoge was named to the new post of Vice President—Corporate Marketing Support.

On February 26, 1971, the Company successfully negotiated an expansion of its bank lines to an aggregate of $50 million. Of this amount, $23 million is a five-year, multi-currency credit provided by a group of American banks headed by the First National Bank of Chicago. This credit will be used to finance our overseas rental business. The other $27 million is a three-year domestic credit through a group headed by the Marine Midland Bank-Western. In addition to these two credit agreements, early last November the Company concluded a five year, $2.4 million Sterling/Dollar back-to-back financing arrangement, which will provide Sterling funds to its British subsidiary at a favorable rate of interest.

The Company is scheduled to be represented on a panel at the Institutional Investors Conference in New York City on March 19, 1971. It was felt that the accompanying introductory remarks, which are to be published and distributed among the conferees, also might be of interest to MDS shareowners.

Sincerely,

V. E. Johnson
Chairman

Richard P. Rifenburgh
President

March 11, 1971

Defendants' Exhibit AF

Consolidated Statement of Income
(unaudited)

	Quarter ended January 31	
	1971	1970
	(000's omitted)	
Net Sales	$10,920	$16,775
Rental and Service Income	12,385	9,105
Total Revenues	$23,305	$25,880
Income Before Income Taxes	$ 1,795	$ 4,075
Provision for Income Taxes	715	2,015
Net Income	$ 1,080	$ 2,060
Earnings per Share	$ .20	$ .38
Average Outstanding Shares	5,485	5,465

	Six Months Ended January 31	
	1971	1970
	(000's omitted)	
Net Sales	$21,040	$33,820
Rental and Service Income	24,045	17,015
Total Revenues	$45,085	$50,835
Income Before Income Taxes	$ 3,770	$ 7,840
Provision for Income Taxes	1,425	3,755
Net Income	$ 2,345	$ 4,085
Earnings per Share:		
Income Before Extraordinary Item	$ .43	$ .70
Extraordinary Item	—	.05
Net Earnings per Share	$ .43	$ .75
Average Outstanding Shares	5,485	5,465

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Defendants' Exhibit AF

Introductory Remarks by R. P. Rifenburgh, President
Mohawk Data Sciences Corp.

Institutional Investors Conference
March 19, 1971

As I look back on these past six and a half years since the formation of Mohawk Data Sciences, several thoughts come to mind that may be of interest to the investment community as it appraises the data processing industry today.

First, success in our competitive and demanding business has always been a long shot, depending as much on good timing and good luck as on talent and hard work. The past year's experience suggests that, especially for new entrants and even for some older ones, the odds are getting slimmer all the time.

Second, we believe that the rewards of success in data processing provide sufficient motivation to expand intelligently within the industry. We are not interested in diluting that effort nor lessening our potential with conglomerate mergers and acquisitions.

Third, any departure from the proven IBM formula of service to customers — not with hardware alone but by "solving problems" — increases geometrically the risk of failure.

And finally, it is the end user who ultimately determines success or failure in this business. Whether we reach him directly or through an OEM relationship, and regardless of how we use leasing companies or do our accounting — we are, in the final analysis, all competing in the rental market for that end user customer. If he determines that a product or service is inadequate for his needs, the supplier of that product or service — and all intermediate suppliers back to the original source — will face their "moment of truth". If, on the other hand, he decides simply to save and not spend his rental dollars (as has frequently been the case over the past year), we all suffer — albeit in varying degrees.

My emphasis on the risks of the new entrant in our industry may appear contradictory in view of MDS's six-year record, which saw net income in our last fiscal year exceed $8 million on total revenues of over $100 million — with a rental base that produced some $38 million of that total. Mohawk Data had some basic advantages and a fortuitous set of circumstances at its founding which enabled it to minimize the dangers.

First, and most important, the founders had a cumulative total of over a half a century of EDP experience in critical areas of an industry, that was less than two decades old. That emphasis of professional data processing management — not on engineers or clever gadgets — characterized MDS then and, we like to think, is equally true now.

We decided at the outset that, since end users would determine our success or failure, MDS would serve them directly as a rental company. Fortunately, the state of financial markets at that time enabled us to build the broad product line and assume the financial burdens that such a role entails.

We selected a product, the DATA-RECORDER, to provide our fledgling company with the broadest exposure to the user market, and spent the first three years of our corporate life building a marketing and distribution organization around that

Defendants' Exhibit AF

family of products. Pioneering in any new area takes time and considerable educational effort, especially in competition with IBM and the punched card. MDS's early success with its first product line was due in no small measure to fortuitous timing. The third generation of computers had just emerged, and the DATA-RECORDER arrived on the scene early enough to focus on the critical input bottleneck confronting EDP users, thus ensuring a reasonably long rental life.

Let me underscore the important point that MDS was not founded to make and sell DATA-RECORDERS. From the beginning, our strategy was to capitalize on the advantages of key-to-tape input as a means to the end of building a solid sales, service and support organization.

By 1968 MDS had reached the next phase in its development, and corporate strategy over the following three years was directed toward expanding the mix of products with which to fill the newly constructed distribution pipeline. Through acquisition and by internal development, MDS assembled one of the broadest lines of peripheral products and subsystems in the industry. In addition to a broad array of DATA-RECORDERS in free-standing and clustered configurations, the Company today produces an expanding line of computer printers, card and paper tape punches and readers, tape drives, and data communications and conversion systems. These are primarily rental products, and as such they are placed and maintained in end user installations by some 1500 marketing and support personnel in nearly 200 MDS branches here and abroad. Distribution is further extended through agency relationships by an additional 200 sales and service points around the globe.

Last year saw the beginning of another IBM generation cycle, which caused the usual convulsions within the data processing industry. We, on the other hand, saw a new opportunity to ride the wave and make a major advance this year in our development as a specialist in defining and meeting user requirements in the peripheral sector. Three weeks ago, Mohawk Data announced, for delivery this summer, its new SYSTEM 2400, a highly flexible system with a wide range of peripherals interfaced with a high performance Peripheral Processor with which users can meet their specific input, output and communications requirements in individualized applications. The SYSTEM 2400 represents to Mohawk Data the culmination of six years of corporate planning to move from a supplier of free-standing peripherals to a manufacturer and marketer of off-line peripheral systems. The modularity of this new system will enable users to expand into new peripherals as they need them; for the same reason, an established SYSTEM 2400 rental base will provide added momentum to the Company's growth as new peripherals are added to the line.

As was the case in 1964, MDS will be innovating -- not with futuristic gimmicks -- but with an intelligent approach to real problems users face today in their efforts to optimize price/performance. The answer lies not merely in the cost advantages of systemizing all peripherals with a processor, but in freeing a mainframe to do what it does best. Our experience from the beginning leads us to conclude that the SYSTEM 2400 should provide that answer.

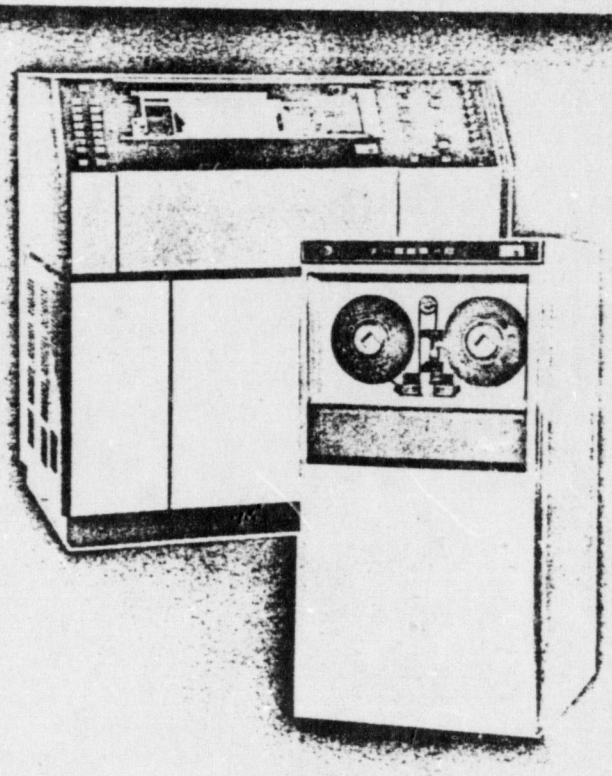
Defendants' Exhibit AF

Mohawk Data Sciences Corp.

Consolidated Statement of Income
(unaudited)

	Quarter ended October 31	
	1970	1969
	(000's omitted)	
Net Sales	$10,120	$17,045
Rental and Service Income	11,660	7,910
Total Revenues	$21,780	$24,955
Net Income Before Income Taxes and Extraordinary Item	$ 1,975	$ 3,490
Provision for Income Taxes	710	1,740
Income Before Extraordinary Item	1,265	1,750
Extraordinary Item—Gain on Revaluation of Foreign Currencies	—	275
Net Income	$ 1,265	$ 2,025
Earnings per share:		
Income Before Extraordinary Item	$ .23	$ .32
Extraordinary Item	—	.05
Net Earnings per share	$ .23	$ .37
Average Outstanding Shares	5,485	5,465

On the cover:
The MDS 2501 Programmable Printer with a new MDS model 2000 Tape Drive. This off-line, high speed print station utilizes an ATRON computer to provide both an editing capability and a compatibility with the output from most computer systems.



Report to our stockholders for the three months ended October 31, 1970

If the address to which this report is mailed is incorrect, please advise the Company's Transfer Agent, Marine Midland Bank — New York, 125 Barclay Street, New York, N.Y. 10015, Attn.: Address Change Unit, Securities Records Section.

Defendants' Exhibit AF

To our Shareholders:

Net income from consolidated worldwide operations for the first quarter ended October 31, 1970 was $1,265,000 or 23¢ per share of common stock on total revenues of $21,780,000. A year ago, quarterly net income totaled $1,750,000 or 32¢ per share (before a non-recurring gain of $275,000 or 5¢ per share from the revaluation of foreign currencies) on total revenues of $24,955,000.

The prolonged downturn in economic activity in the United States, which for some time has curtailed domestic shipments of computer equipment, clearly impacted the Company's results for the quarter. While rental and service income advanced to $11,660,000 from the $7,910,000 reported in the first three months a year ago, net sales decreased to $10,120,000 compared to $17,045,000 in the corresponding year-ago quarter.

A downturn in net sales in the recently completed quarter was not unanticipated in view of the previously announced cutback in deliveries to National Cash Register Company and the absence of Autodin business, a large government contract which was completed in the middle of last fiscal year. The magnitude of the sales decline, however, was even greater than had been forecasted at the beginning of the new fiscal year due to the sharply reduced level of shipments to original equipment manufacturers who, during this protracted period of sluggishness in the end user market, cut back substantially on their requirements to independent suppliers of peripheral hardware.

The gains recorded in rental and service revenues for the quarter, which were due largely to the continuing expansion of European operations, mask the substantial pressures being experienced domestically in an economic environment which continues to deteriorate. Despite the accelerating trend of business abroad, U.S. rental deliveries (net of equipment returns) during the three months period were at the lowest level in MDS's history. Net bookings in the U.S., too, were off from the prior period. With the strong contribution from European operations, consolidated end user backlog was up somewhat from that of July 31, 1970. However, OEM order backlog continued to decline.

Our present forecasts, based upon orders received to date from our customers, indicate that there is little likelihood of significant improvement in second quarter results over the first quarter. In view of the lead time required between order receipt and shipment, any near-term recovery in domestic industry activity could not be translated into a resumption of MDS's prior growth trend until well into the third fiscal quarter at the earliest.

On a more optimistic note, European operations have never been better, with placements and backlogs at all-time highs and few indications of a carry-over of the current economic difficulties in the U.S. to the Company's business abroad. Further, MDS product development has been accelerated, with initial deliveries of the new 2000 Series Tape Drives to be commenced shortly and shipments of the 2400 Editor System scheduled for the fourth quarter of the current fiscal year. Moreover, the first version of a high speed train printer will be demonstrated to selected customers in January, 1971. The sales, support and service organization, too, has increased to 1400 people worldwide from 1100 at the end of the last fiscal year. While expenses are being reduced to a minimum during this period, management is determined not to sacrifice MDS's engineering and marketing capability, upon which its future so heavily depend.

Shareholders at the Company's sixth annual meeting in Herkimer last month reelected the prior directors to the Board, adding a twelfth member—Mr. Theodore D. Robinson, a founder of MDS and currently a consultant to the Company. Also approved was a new Stock Option Plan providing for the granting of new options on MDS Common stock to key employees.

Mr. Philip J. Ablove, General Counsel and Secretary, and Mr. Horace Van Forsythe, General Manager of the Mark Steel Stamp Division, were elected Vice Presidents at the last meeting of the Board of Directors.

Our very best wishes for a joyous holiday and prosperous New Year.

V. E. Johnson — Richard P. Rifenburgh

V. E. Johnson
Chairman

Richard P. Rifenburgh
President

December 8, 1970

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APB Opinion No. 7

ACCOUNTING FOR LEASES IN FINANCIAL STATEMENTS OF LESSORS

MAY, 1966

INTRODUCTION

1. This Opinion sets forth the Board's views as to accounting for the revenue and expense related to, and the investment in, property leased to others. Because of the highly specialized problems involved, this Opinion does not apply to lease agreements concerning natural resources such as oil, gas, timber and mineral rights.

2. The principal accounting problems of lessors concern the allocation of revenue and expense to the accounting periods covered by a lease. Although the lease typically establishes a schedule of rent to be received by the lessor, the treatment of this rent as revenue in the period of receipt does not necessarily result in a fair measurement of the lessor's periodic income during the term of the lease. The allocation to accounting periods of acquisition and operating costs of the leased property and of costs of negotiating and closing the lease needs to be systematic, rational, and consistent with the method of recognizing revenue. The description and classification in the balance sheet of the investment in leasing activities is also of importance.

DISCUSSION

Leasing activities

3. Lessors may engage in leasing activities to accomplish one or more objectives, such as: investing funds; facilitating the sale or use of the lessor's own manufactured product; retaining control of locations when it is desirable that the property be operated by others; and making available to others property operated by the lessor for profit. Some lessors engage in leasing primarily or solely as a method of investing funds; some financing institutions specialize in leasing. On the other hand, some lessors engage in leasing as incidental to entirely different and relatively more significant business operations. Leasing activities of many lessors have both financing and operating characteristics to some degree, and some lessors have leasing activities of both types.[1]

Accounting methods

4. There are two predominant methods in general use for allocating rental revenue and expenses over the accounting periods covered by a lease. These may be termed the "financing" and the "operating" methods.

5. *Financing method*—Under the financing method, the excess of aggregate rentals over the cost (reduced by estimated residual value at the termination of the lease) of the leased property is generally designed to compensate the lessor for the use of the funds invested. Since this excess is in the nature of interest, it is recognized as revenue during the term of the lease in decreasing amounts related to the declining balance of the unrecovered investment or, in other words, as an approximately level rate of return on funds not yet recovered. When rentals are level, this results in a decreasing percentage of each succeeding rental being accounted for as revenue and an increasing percentage as recovery of investment. This is comparable to the method followed by most lending institutions in accounting for level repayment plans.

6. *Operating method*—Under the operating method, aggregate rentals are reported as revenue over the life of the lease. The amount of revenue to be recognized in each accounting period will ordinarily be equivalent to the amount of rent receivable according to the provisions of the lease unless

[1] A comprehensive discussion of leasing will be found in Accounting Research Study No. 4, *Reporting of Leases in Financial Statements* by John H. Myers, published by the American Institute of Certified Public Accountants in 1962. (Accounting research studies are not statements of this Board or of the Institute, but are published for the purpose of stimulating discussion on important accounting issues.)

distortion of periodic revenue would result, e.g., when the rentals depart radically from a straight-line basis without relation to the economic usefulness of the leased property. The income statement reflects, as expenses, depreciation of the leased property, maintenance and other related costs, as well as the cost of any other services rendered under the provisions of the lease. The amount of these expenses to be recognized in each accounting period should be determined by methods which are appropriate in the circumstances and which are conventionally used for such expenses when incurred in activities other than leasing.

7. *Basis for selection*—The objective of fairly stating the lessor's net income during each of the periods covered by the leasing activities is the most important consideration in differentiating between the use of the financing or operating methods (see Paragraphs 13-15 for a description of balance sheet presentations consistent with the method used in determining income). Pertinent factors in making the choice, among others, are the following: the nature of the lessor's business activities; the specific objectives of its leasing activities, including the relationship to other business activities of the lessor, if any; the term of the lease in relation to the estimated useful life of the property; the existence of renewal or purchase options and the likelihood that the lessee will exercise them; provisions of the lease which indicate the extent to which the usual risks of ownership (e.g., obsolescence, unprofitable operation, unsatisfactory performance, idle capacity, dubious residual value) or rewards of ownership (e.g., profitable operation, gain from appreciation in value at end of lease) rest with the lessor or the lessee.

8. The financing method is generally appropriate for measuring periodic net income from leasing activities of entities engaged in, perhaps among other things, lending money at interest—e.g., lease-finance companies, banks, insurance companies or pension funds. Lease agreements of institutions of this kind typically are designed to pass all or most of the usual ownership risks or rewards to the lessee, and to assure the lessor of, and generally limit him to, a full recovery of his investment plus a reasonable return on the use of the funds invested, subject only to the credit risks generally associated with secured loans. Usually, the financing method is similar to the method of accounting for revenue already in use for other lending activities of the institutions. The financing method is also appropriate for a leasing activity of an entity which is not identified as a financial institution, such as a manufacturer, if the lease agreements have the characteristics described earlier in this paragraph.

9. On the other hand, there are companies (e.g., the owner-operator of an office building, the lessor of automotive equipment on short-term leases—daily, weekly or monthly) which retain the usual risks or rewards of ownership in connection with their leasing activity. They may also assume responsibilities for maintaining the leased property or furnishing certain related services which will give rise to costs to be incurred in the future. Rental revenues are designed to cover the costs of these services, depreciation and obsolescence, and to provide an adequate profit for assuming the risks involved. In these cases the operating method is appropriate for measuring periodic net income from leasing activities. The operating method is also appropriate if the leasing activity is an integral part of manufacturing, marketing or other operations of a business which generate revenues and costs which must be considered along with revenues and costs from the leasing activities in arriving at appropriate methods for measuring the overall periodic net income (examples are leases of retail outlets with lease provisions deliberately made favorable to induce lessee to handle lessor's product and leases which generate significant servicing revenues and costs). The operating method likewise is appropriate for leasing activities for an otherwise strictly financing institution if such activities are characterized as set forth in this paragraph.

OPINION

10. The Board believes that the financing method of accounting, described in Paragraph 5, should be used for lease financing activities of the type described in Paragraph 8. The Board believes that the operating method, described in Paragraph 6, should be used for leasing activities of the type described in Paragraph 9. If a single company engages in separate leasing activities of the types described in both Paragraphs 8 and 9, the appropriate accounting method should be used for each type of leasing activity. Where a single lease has both financing and operating characteristics to some degree, the determination of the appropriate accounting method should be made on the

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basis of which of the two methods described in paragraphs 5 and 6 will fairly reflect net income. In rare cases, a single lease may require the use of both methods to reflect fairly the lessor's net income; a condition precedent to this would be the ability initially to assign aggregate rentals to each of the financing and operating elements.

Initial direct costs

11. When initial direct costs of negotiating and closing leases are reasonably expected to be recovered from revenues, these costs should preferably be deferred and allocated to future periods in which the related revenues are reported. In this context, "initial direct" costs are those costs which are directly associated with consummating the lease (e.g., commissions, legal fees, costs of investigating the lessee's financial status and of preparing and processing documents). The method of allocation to future periods should be consistent with that used to recognize revenue under the financing or operating methods. However, substantially the same net income would be reported under the financing method by expensing initial costs as incurred and recognizing as revenue in the same period, in addition to the normal revenue, a portion of the unearned revenue equal to the initial costs; this method is also acceptable. When initial direct costs of a lessor are reasonably constant in relation to revenues, no practical objection can be raised to a practice of consistently expensing these costs as incurred and recognizing revenue without compensating for initial costs.

Leasing by manufacturers

12. When manufacturers use leases to assist in marketing products or services, the Board believes that the guidelines described in Paragraphs 7, 8 and 9 indicate whether the financing or operating method is appropriate. Manufacturing revenues (amounts which would have been obtained in a regular sale or the discounted amount of future rentals whichever is lower), costs and profit should be determined at the time of entering into the lease and reported in the income statement of the lessor on the same basis as outright sales of similar manufactured property, provided all of these conditions are met: (a) credit risks are reasonably predictable, (b) the lessor does not retain sizable risks of ownership of the nature described in Paragraph 7 and (c) there are no important uncertainties surrounding the amount of costs yet to be incurred or revenues yet to be earned under the lease. If any of these conditions is not met, manufacturing profit should be recognized, using the operating method, only as realized in the form of rental revenue over the term of the lease. If manufacturing revenue is determined at the time of entering into the lease, the conditions described above having been met, the financing method should be used and the amount of the manufacturing revenue becomes the "cost of the leased property" as that term is used in Paragraph 5. When it is feasible to determine normal selling prices, then revenues, costs and trading profits of dealers and other middlemen should be recognized in the same manner and under the same conditions described above for manufacturers.

Reporting in balance sheet

13. Amounts invested in leasing activities which are significant in relation to other resources or activities should be stated separately in a manner which best describes the nature of the investment. The investment in leasing activities is neither a conventional loan or receivable, nor in the same category as facilities employed in typical manufacturing or commercial operations. The classification and description of the investment should be appropriate in the circumstances and should depend upon whether the financing or operating method of accounting is used.

14. When the financing method is used, the aggregate rentals called for in the lease should be classified with or near receivables and a description used along the lines of "receivables under contracts for equipment rentals" or "contracts receivable for equipment rentals." When a company is predominantly engaged in leasing activities for which the financing method is appropriate, information should be disclosed regarding future maturities of the rentals receivable. Unearned finance charges or interest (as defined in Paragraph 5) included in the aggregate rentals should be shown as a deduction therefrom.[3] Estimated residual value should be classified separately with or near property, plant and equipment unless the residual value represents an amount expected to be collected from the lessee (e.g., when a favorable purchase option exists), in which case it should be classified with or near notes and accounts

[3] See Paragraph 14 of Opinion No. 6 of the Accounting Principles Board.

receivable. Thus, the investment is represented by the net rentals receivable plus the residual value. Receivables under financing leases are subject to the same considerations as to current or noncurrent classification, where such segregation is appropriate in the balance sheet, as are assets resulting from other activities.[3]

15. When the operating method is used, the investment should be classified with or near property, plant and equipment and a description used along the lines of "investment in leased property," "property held for or under lease," or "property (equipment, buildings, machines, etc.) leased to others"; accumulated allowances for depreciation and obsolescence should be shown as a deduction from the investment.

Disclosure

16. In addition to an appropriate description in the balance sheet of the investment in property held for or under lease (see Paragraphs 13-15), the principal accounting methods used in accounting for leasing activities should be disclosed. Further, where leasing is a substantial portion of a nonfinancing institution's operations, the Board believes that financial statements should disclose sufficient information to enable readers to assess the significance of leasing activities to the company. Leases and leased property are also subject to the conventional disclosure requirements affecting financial statements as, for example, disclosure of pledges of leased property and leases as security for loans.

Income taxes

17. When lease revenues or expenses are recognized for tax purposes in a period other than the one in which they are recognized for financial reporting, appropriate consideration should be given to allocation of income taxes among accounting periods.

Relationship to APB Opinion No. 5

18. The Board takes notice of a question that has been raised as to whether certain conclusions herein are inconsistent with conclusions in Opinion No. 5, "Reporting of Leases in Financial Statements of Lessee"—specifically, the question is whether leases accounted for on the financing method by lessors should be capitalized by lessees. As indicated in Paragraphs 2 and 7, the Board considers the principal accounting problem of lessors to be the allocation of revenue and expense to accounting periods covered by the lease in a manner that meets the objective of fairly stating the lessor's net income; the Board believes that this objective can be met by application of the financing method when the circumstances are as described in the Opinion. As to the lessee, however, capitalization of leases, other than those which are in substance installment purchases of property, may not be necessary in order to state net income fairly since the amount of the lease rentals may represent a proper charge to income. There continues to be a question as to whether assets and the related obligations should be reflected in the balance sheet for leases other than those that are in substance installment purchases. The Board will continue to give consideration to this question.

Prior lease agreements

19. Unless otherwise stated, Opinions of the Board are not intended to be retroactive. However, the Board believes that the conclusions as to disclosure in Paragraphs 13-16 should apply to lease agreements made prior as well as subsequent to the issuance of this Opinion.

EFFECTIVE DATE OF THIS OPINION

20. Except as noted in Paragraph 19, this Opinion shall be effective for fiscal periods beginning after December 31, 1966. However, the Board encourages earlier application of the provisions of this Opinion where appropriate.

The Opinion entitled "Accounting for Leases in Financial Statements of Lessors" was adopted unanimously by the twenty-one members of the Board.

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[3] See Chapter 3A of Accounting Research Bulletin No. 43.

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NOTES

Opinions present the considered opinion of at least two-thirds of the members of the Accounting Principles Board, reached on a formal vote after examination of the subject matter.

Except as indicated in the succeeding paragraph, the authority of the Opinions rests upon their general acceptability. While it is recognized that general rules may be subject to exception, the burden of justifying departures from Board Opinions must be assumed by those who adopt other practices.

Action of Council of the Institute (Special Bulletin, Disclosure of Departures From Opinions of Accounting Principles Board, October 1964) *provides that:*

a. *"Generally accepted accounting principles" are those principles which have substantial authoritative support.*

b. *Opinions of the Accounting Principles Board constitute "substantial authoritative support."*

c. *"Substantial authoritative support" can exist for accounting principles that differ from Opinions of the Accounting Principles Board.*

The Council action also requires that departures from Board Opinions be disclosed in footnotes to the financial statements or in independent auditors' reports when the effect of the departure on the financial statements is material.

Unless otherwise stated, Opinions of the Board are not intended to be retroactive. They are not intended to be applicable to immaterial items.

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No. 15

APB Opinion No. 27

ACCOUNTING FOR LEASE TRANSACTIONS BY MANUFACTURER OR DEALER LESSORS

November, 1972

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INTRODUCTION

1. The accounting for leases entered into with independent lessees by manufacturers or dealers to assist in marketing their products or services is generally covered by APB Opinion No. 7, *Accounting for Leases in Financial Statements of Lessors.* However, the interpretation and application in practice of the Opinion have raised a number of questions since its issuance in May 1966.

DISCUSSION

2. Questions have arisen about the circumstances under which it is appropriate to conclude that the manufacturer or dealer lessor has transferred the risks and rewards of ownership to the lessee thus allowing the lessor to record the lease transaction as if it were a sale of the leased property. In some cases, a sale has been recognized where a manufacturer or dealer lessor delivered property under a cancelable lease or under a noncancelable lease for only a portion of the economic life[1] of the property. Sometimes it was assumed that a cancelable lease would not be canceled or that a noncancelable lease for a period shorter than the economic life would be subsequently renewed. Determining these probabilities has proven to be extremely difficult in many cases. Assumptions that the lessee would continue to lease the property even though not legally obligated to do so sometimes were not realized in practice. Further, in some cases, a manufacturer or dealer sold or assigned a lease, or property subject to a lease, to an independent financing institution with certain guarantees by the manufacturer or dealer, raising questions as to the accounting for

[1] The term *economic life,* as used in this Opinion, refers to the period during which the property is generally expected to be used for the purpose for which it was designed. Economic life is usually shorter than the physical life of the property. Also, economic life can cover a period of use by more than one user and is therefore not dependent upon the operating policies of any particular user.

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the sale or assignment. Likewise, a manufacturer or dealer sold property to an independent financing institution which leased the property to others with certain guarantees by the manufacturer or dealer, creating complications in accounting for the transaction. Additional problems arise if these transactions are with a related entity rather than with an independent entity.

3. The Board has concluded that more specific criteria are needed to determine when a manufacturer or dealer lessor should recognize a lease transaction with an independent lessee as if it were a sale. This Opinion supersedes the last sentence of paragraph 8 and all of paragraph 12 of APB Opinion No. 7. Except as stated in the preceding sentence, this Opinion does not modify APB Opinion No. 7. Because of the highly specialized problems involved, this Opinion does not apply to lease agreements concerning real estate and natural resources such as oil, gas, timber, and mineral rights. It also does not apply to the accounting for lease financing transactions by independent financing institutions and independent leasing companies. The Opinion is, however, applicable to these organizations if they are acting as dealers.

OPINION

Two-party lease transactions

4. *Leases equivalent to sales.* Some lease transactions with independent lessees are in substance equivalent to sales of the property with the sales price collectible over a period of time. A manufacturer or dealer lessor should account for a lease transaction with an independent lessee as a sale if at the time of entering into the transaction (a) collectibility of the payments required from the lessee is reasonably assured, (b) no important uncertainties, such as those described in paragraph 7, surround the amount of costs yet to be incurred[3] under the lease, and (c) any one of the following conditions is present:

(i) The lease transfers title to the property to the lessee by the end of its fixed, noncancelable term; or

(ii) The lease gives the lessee the option to obtain title to the property without cost or at a nominal cost by the end of the fixed, noncancelable term of the lease; or

(iii) The leased property, or like property, is available for sale, and the sum of (1) the present value[5] of the required rental payments[4] by the lessee under the lease during the fixed, noncancelable term of the lease (excluding any renewal or other option) and (2) any related investment tax credit retained by the lessor (if realization of such credit is assured beyond any reasonable doubt) is equal to or greater than the normal selling price or, in the absence thereof, the fair value (either of which may be less than cost) of the leased property or like property;[6] or

(iv) The fixed, noncancelable term of the lease (excluding any renewal option) is substantially equal to the remaining economic life[7] of the property. (This test cannot be complied with (1) by estimating an economic life substantially equal to the noncancelable term if this is unrealistic or (2) if a material contingent residual interest is retained in the property.)

5. A high credit risk frequently presents measurement problems (a) in determining the interest rate that is commensurate with the risk and should be applied in computing the present value of the rental payments or (b) in determining an adequate provision for bad debts. When the credit risk is so high as to preclude reasonable assurance of collection the lease transaction should not be recorded as a sale.

6. When a lease transaction by a manufacturer or dealer lessor is recorded as a

[3] Maintenance, management or service agreements, either separate from or as a part of the lease agreement, do not preclude recording the lease transaction as a sale if the agreements provide the manufacturer or dealer with a reasonable return on the services rendered under such agreements. If the revenues from such agreements are included as part of the lease payments, these revenues should not be considered as part of the sales price of the property.

[4] See APB Opinion No. 21, *Interest on Receivables and Payables*, paragraphs 13 and 14.

[4] Maintenance, management and service charges should be excluded from rental payments for purposes of this computation. See footnote 2.

[5] In making the determination under (iii) no consideration should be given to the residual or salvage value. Residual or salvage value should be disregarded in determining whether a lease transaction should be treated as a sale because recognition of a sale implies that the revenue has been earned and all costs have been incurred or provided for at the time.

[6] See footnote 1.

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sale, (a) revenue should be recognized in the period of the sale in an amount equal to the present value of the required rental payments[1] by the lessee under the lease during the fixed, noncancelable term (excluding any renewal or other option) of the lease and (b) the cost of the property (not reduced by salvage or residual value) and the estimated related future costs[2] (other than interest) should be charged against income in that period.[3] In some cases this may result in a loss on the transaction.

7. *Operating leases.* Important uncertainties may still exist in some lease transactions that otherwise appear to meet the tests for recognition as a sale (see paragraph 4). For example, the lease may contain commitments by the lessor to guarantee performance in a manner more extensive than the typical product warranty or to effectively protect the lessee from obsolescence. The difficulties of evaluating the future costs, both individually and collectively, and thus the risks under such commitments may be so great that the lease transaction should be accounted for by the operating method.

8. A manufacturer or dealer lessor should account for a two-party lease transaction that does not meet the criteria described in paragraph 4 for treatment as a sale by use of the operating method set forth in APB Opinion No. 7.

9. An implicit loss exists and should be recognized by the manufacturer or dealer whenever the rental payments expected to be received from independent lessees over the remaining economic life[4] of the leased property together with its estimated residual value are insufficient to recover the unrecovered costs pertaining to the property, estimated related future costs and any deferred costs relating to leases of the property.

Participation by third parties

10. In some instances a manufacturer or dealer lessor sells or assigns a lease, or property subject to a lease, to independent financing institutions and independent leasing companies. In other instances, a manufacturer or dealer sells the property to the financing institutions and at that time a lease for the property is obtained for the benefit of the institutions. In these cases, a third party is participating in a lease transaction involving a manufacturer or dealer and the lessee. The terms of the underlying leases and the risks and rewards retained by the manufacturers or dealers should determine the accounting for such transactions by the manufacturers or dealers.

11. *Leases equivalent to sales.* The sale or assignment by a manufacturer or dealer to an independent financing institution of a lease, or of property subject to a lease, that meets, insofar as the lease transaction is concerned, the conditions of paragraph 4 does not negate the original determination that the lease transaction should be accounted for as a sale. Profit or loss, if any, on the transaction with the financing institution should be recognized at the time of sale or assignment to the financing institution.

12. *Operating leases.* The sale to an independent financing institution of property subject to an operating lease, or of property which is leased by or intended to be leased by the financing institution to an independent party, with the manufacturer or dealer effectively retaining any risks of ownership in the property, is not a sale in substance, and, therefore, should not be accounted for as a sale. However, the sale to an independent financing institution of such property should be reflected as a sale if no important uncertainties such as those described in paragraph 7 exist and either (a) all risks and rewards of ownership in the property are transferred to the purchaser[5] or (b) all risks are transferred but some of the rewards are retained by the manufacturer or dealer and the sum of the present value of the required payments[6] by the purchaser and any related investment tax credit retained by the dealer (see paragraph 4(c)(iii)) is equal to or greater than the normal selling price or, in the absence thereof, the fair value of the property. When a sale is recorded, all costs shall

[1] See footnotes 2 and 4.

[2] In paragraph 4 of APB Opinion No. 21, *Interest on Receivables and Payables*, the Board stated that it was "not taking a position as to the application of the present value measurement (valuation) technique to estimates of contractual or other obligations assumed in connection with sales of property, goods, or service, for example, a warranty for product performance." Inasmuch as the revenue from a lease transaction recorded as a sale is measured by the present value of the required rental payments under the lease, the Board has concluded that estimates of future costs related to the lease may also be measured on the present value basis.

[3] In determining the amount of profit or loss to be recognized on the transaction consideration should be given to any related investment tax credits.

[4] See footnote 1.

[5] See footnotes 2 and 4.

be charged against income in that period (see paragraph 6).

13. A manufacturer or dealer may by various arrangements assure recovery of the investment by the third-party financing institution in some operating lease transactions and thus retain substantial risks of ownership in the property. For example, in the case of default by the lessee or termination of the lease, the arrangements may involve a formal or informal commitment by the manufacturer or dealer (a) to acquire the lease or the property, (b) to substitute an existing lease, or (c) to secure a replacement lessee or a buyer for the property under a remarketing agreement. In these circumstances the manufacturer or dealer has not transferred all risks and should not reflect the transaction as a sale. However, a remarketing agreement by itself should not disqualify accounting for the transaction as a sale if the manufacturer or dealer (a) will receive a reasonable fee, commensurate with the effort involved, at the time of securing a replacement lessee or buyer for the property and (b) is not required to give any priority to the re-leasing or disposition of the property owned by the third party over similar property owned or produced by the manufacturer or dealer. (For example, for this purpose, a "best efforts" or a first-in, first-out, remarketing arrangement is considered to be a priority.)

14. When the sale to an independent financing institution of property subject to an operating lease is not reflected as a sale, the transaction should be accounted for as a loan and revenue should be recognized under the operating method. Likewise, the sale or assignment by a manufacturer or dealer of lease payments due under an operating lease should continue to be accounted for under the operating method by the manufacturer or dealer and the proceeds should be recorded as a loan. (Transactions of these types are in effect collateralized loans from the financing institution to the manufacturer or dealer.)[12] However, if all risks of ownership in the property are transferred but the transaction does not qualify as a sale because the sum of the present value of the required payments[13] by the purchaser and any related investment tax credit retained by the dealer (see paragraph 4(c)(iii)) is less than the normal selling price or, in the absence thereof, the fair value of the property (see paragraph 12), the proceeds should be classified as deferred revenue and taken into income under the operating method.

Transactions with Related Companies

15. *Leases equivalent to sales.* The sale or assignment by a manufacturer or dealer to a related company[14] of a lease, or property subject to a lease, that meets, insofar as the lease transaction is concerned, the conditions of paragraph 4 does not negate the original determination that the lease transaction should be accounted for as a sale. Profit or loss, if any, on the transaction with the related company should be recognized following the principles of ARB No. 51, *Consolidated Financial Statements*, or APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*, whichever is appropriate.

16. *Operating leases.* The sale to a related company of property (or an undivided interest in the property) subject to an operating lease, or of property (or an undivided interest in the property) which is leased by or intended to be leased by the related company to an independent party, is not a sale in substance if the manufacturer or dealer retains any risks of ownership in the property and, therefore, should not be accounted for as a sale. Likewise, the sale or assignment to a related company of lease payments due under an operating lease should continue to be accounted for under the operating method by the manufacturer or dealer. Further, the lease of property to a related company should not be considered a sale by the manufacturer or dealer unless the related company has leased the property to an independent lessee in a transaction that meets the conditions of paragraph 4 of this Opinion and the manufacturer or dealer retains no risks of ownership in the property. When a sale is recorded by the manufacturer or dealer, all costs should be

[12] Also see paragraph 9 of this Opinion with regard to recognition of an implicit loss under an operating lease.

[13] See footnotes 2 and 4.

[14] Also see paragraph 9 of this Opinion with regard to recognition of an implicit loss under an operating lease.

[15] For the purposes of this section (paragraphs 15 and 16) of this Opinion a related company is considered to be a subsidiary, corporate joint venture, partnership, unincorporated joint venture or other investee in which the manufacturer or dealer has a financial interest. Financial interest refers to those situations in which the manufacturer or dealer directly or indirectly controls the related company or has the ability to exercise significant influence over operating and financial policies of the related company. (See Opinion No. 18, paragraph 17.) Significant influence may be exercised through guarantees of indebtedness, extension of credit and other special arrangements, or ownership of warrants, debt obligations or other securities.

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charged against income in that period (see paragraph 6). Profit or loss, if any, on the transaction with the related company should be recognized following the principles of ARB No. 51 or APB Opinion No. 18, whichever is appropriate.[16]

17. The sale by a manufacturer or dealer to an unrelated company of an undivided interest in property subject to an operating lease, or of an undivided interest in property which is leased by or intended to be leased by the unrelated company to an independent party, creates a situation similar to a joint venture and therefore should not be accounted for as a sale unless the transaction meets the conditions of paragraph 4 of this Opinion and the manufacturer or dealer retains no risks of ownership in the property. When a sale of an undivided interest is recorded by the manufacturer or dealer, all costs pertaining to that undivided interest should be charged against income in that period (see paragraph 6).

EFFECTIVE DATE

18. The provisions of this Opinion shall be effective for all lease transactions involving manufacturers or dealers with independent lessees after December 31, 1972. However, the accounting for lease transactions that have previously been entered into in the fiscal year in which December 31, 1972 occurs may be adjusted to comply with the provisions of this Opinion.

The Opinion entitled "Accounting for Lease Transactions by Manufacturer or Dealer Lessors" was adopted by the assenting votes of sixteen members of the Board, of whom four, Messrs. Cummings, Ferst, Hampton, and Watt, assented with qualification. Messrs. Halvorson and Hayes dissented.

Messrs. Cummings and Ferst assent to the publication of this Opinion but disagree with the conclusions expressed in paragraphs 16 and 17 because in their view the conclusions are inconsistent with accepted accounting principles generally applicable to sales of interests in property and are in conflict with the principle set forth in paragraph 10, that the "risks and rewards retained by the manufacturers or dealers should determine the accounting for such transactions." They believe that if the portion of the risks and rewards transferred are commensurate with the proportionate interest in the property sold by the manufacturer or dealer, the sale to a noncontrolled party of an interest in property, whether or not it is or may be subject to a lease, should be recognized together with the related profit with appropriate elimination of profit in proportion to the seller's financial interest, if any, in the buyer.

Mr. Hampton qualifies his assent because he disagrees with the conclusions of paragraph 17 because they conflict with generally accepted principles of accounting for sales of undivided interest in property generally. He believes that the existence or nonexistence of arrangements (and, a *fortiori*, of "intent") to lease property is wholly irrelevant to the issue of recording revenue, costs, and profit (or loss) in a consummated sale of an undivided interest in that property to an unrelated buyer to whom the seller has no further obligations. In his view, paragraph 17 is clearly inconsistent with the concept in paragraph 10 that "risks and rewards retained by the manufacturers or dealers should determine the accounting for such transactions;" he agrees with that concept and points out that, with respect to an undivided interest sold without any further obligations to the buyer, the seller's risks and rewards are precisely nil.

Mr. Watt assents to the issuance of this Opinion because he believes that for the most part it clarifies APB Opinion No. 7. However, he believes that only leases whose fixed, noncancelable term is substantially equal to the remaining economic life of property should be accounted for as a sale. Accordingly, he does not concur with the condition established in paragraph 4(c)(iii) which requires a lease to be accounted for as a sale when the discounted rental payments equal or exceed the normal selling price if the property is leased for only a portion of its remaining economic life (i.e., only a portion of the property rights have been transferred to the lessee). This provision requires the recording of a sale (and the omission from the balance sheet of a valuable property right) when there is a reasonable expectation of future additional revenue (a second "sale" or lease revenue) arising from the estimated remaining economic life of the property after the expiration of the lease. He believes that a "sale" should be reported only when the lease

[16] Also see paragraph 9 of this Opinion with regard to recognition of an implicit loss under an operating lease.

represents the disposition of substantially all of the economic value of the property.

Mr. Hayes dissents to the issuance of this Opinion because he believes that it does not establish sound or logical accounting principles governing the sale of property subject to an operating lease. He disagrees with the conclusion in paragraphs 12 and 14 that any retention of risk of ownership in leased property sold by a manufacturer or dealer makes the sale a loan. He believes that application of such a criterion would in many instances require lessors to report fictitious liabilities and cause the leased property to appear as an asset in the balance sheets of both the buyer and the seller. In his view, leased property should ordinarily be shown as an asset of the entity possessing the preponderance of the rewards of ownership of the property. Risks retained by the seller should be recognized either by providing for costs to be incurred in the future or, if they are not subject to reasonable estimation, by deferring some or all of the profit. He disagrees with the conclusion in paragraph 12 that in order for a sale (in form) of property subject to an operating lease to be accounted for as a sale where the seller retains some rewards of ownership the seller must obtain the "normal selling price." In his view, a sale should be recognized as such even though the seller retains an interest in the property and therefore transfers the property at a price less than the price at which the entire interest in the property would be sold. He disagrees with the implication in paragraph 13 that remarketing arrangements of the types known as "best efforts" or "first-in, first-out" assign to the leased property owned by a third-party financing institution a type of remarketing priority which assures recovery of the investment by the financing institution and that they cause the sale by the manufacturer or dealer to become a liability to the financing institution.

Mr. Hayes also disagrees with the conclusions of paragraph 17 for the reasons expressed in the qualified assent of Mr. Hampton.

NOTES

Opinions of the Accounting Principles Board present the conclusions of at least two-thirds of the members of the Board, which is the senior technical body of the Institute authorized to issue pronouncements on accounting principles.

Board Opinions are considered appropriate in all circumstances covered but need not be applied to immaterial items.

Covering all possible conditions and circumstances in an Opinion of the Accounting Principles Board is usually impracticable. The substance of transactions and the principles, guides, rules, and criteria described in Opinions should control the accounting for transactions not expressly covered.

Unless otherwise stated, Opinions of the Board are not intended to be retroactive.

Council of the Institute has resolved that Institute members should disclose departures from Board Opinions in their reports as independent auditors when the effect of the departures on the financial statements is material or see to it that such departures are disclosed in notes to the financial statements and, where practicable, should disclose their effects on the financial statements (Special Bulletin, Disclosure of Departures From Opinions of the Accounting Principles Board, *October 1964). Members of the Institute must assume the burden of justifying any such departures.*

Accounting Principles Board (1972)

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Defendants' Exhibit AG

No. 9

9717

Accounting for Leases in Financial Statements of Lessors

ACCOUNTING INTERPRETATIONS OF APB OPINION NO. 7

1. Accounting for Leases by Manufacturer or Dealer Lessors

Question—APB Opinion No. 7 describes two methods of accounting for leases entered into by lessors: (1) the *financing* method, which essentially recognizes a lease as the equivalent of a loan or a sale, and (2) the *operating* method, which recognizes a lease as only a rental agreement. Although many leases can be clearly identified as being either "financing" or "operating" leases, other leases are difficult to classify. In some cases, a manufacturer or dealer may sell or assign a lease to an independent financing institution with certain guarantees, raising questions as to the accounting for the sale or assignment. Likewise, a manufacturer or dealer may sell property to an independent financing institution which leases the property with certain guarantees by the manufacturer or dealer, creating complications in accounting for the transaction. Additional complications are created if these transactions are with an affiliated entity rather than with an independent entity. How should the various factors specified in the Opinion be evaluated by a manufacturer or dealer lessor in determining whether to apply the financing or operating method to account for a lease transaction?

Interpretation—The Accounting Principles Board is currently undertaking an overall review of lease accounting and has scheduled public hearings on the broad subject. Any Opinion issued on the subject may supersede the existing pronouncements and this Accounting Interpretation. In the meantime, paragraphs 7-9 and 12 of APB Opinion No. 7 specify the factors which determine whether a leasing transaction should be accounted for by the financing method or by the operating method. Applications of the Opinion have varied in the past because of different interpretations of those paragraphs and various practices have been generally accepted. This Accounting Interpretation is being issued to clarify future application of APB Opinion No. 7 until the Board issues a pronouncement on lease accounting.

Assessing Transfer of Risks and Rewards

A lease which transfers title to the property without cost or at nominal cost to the lessee by the end of its fixed, noncancellable term is clearly a financing lease if there are no important uncertainties surrounding credit risks and future costs. If a lease does not meet these requirements, the other major aspects of the transfer of the risks and rewards of ownership must be assessed.

When there are no significant uncertainties as discussed in this Accounting Interpretation, the lessor should account for the lease under the financing method if the present value (excluding any residual or salvage value) of the required payments under the lease (excluding any renewal or purchase option) during the fixed, noncancellable term is equal to or greater than the selling price for an outright sale or the fair value (either of which may be less than cost) of the property.

When there are no significant uncertainties as discussed in this Accounting Interpretation and the selling price or the fair value of the property cannot be satisfactorily determined, the financing method should be followed if the fixed, non-cancellable term of the lease (excluding any renewal option) is substantially equal to the estimated useful life of the property. This test cannot be met (a) by estimating a useful life substantially equal to the noncancellable term if this is unrealistic or (b) if a material contingent residual interest is retained in the property.

A financing lease must have both reasonably predictable credit risks and reasonably predictable future costs (see paragraphs 8 and 12). A high credit risk *per se* does not preclude use of the financing method. Rather, a high credit risk presents measurement problems and might indicate that a higher than usual interest rate should be applied in determining the present value of the lease payments and that a larger than usual provision for bad

Defendants' Exhibit AG

debts would be required in determining income.

When a leasing transaction is accounted for by the financing method and a sale is recorded, the cost of the property (not reduced by salvage or residual value) and the estimated future costs should be charged against income in the period of the sale. In some cases, this will result in a loss on the sale.

Uncertainties May Preclude Evaluation

Significant uncertainties may still exist in some lease transactions that appear to meet the conditions of a financing lease. For example, the lease may contain commitments by the lessor to guarantee performance in a manner more extensive than the typical product warranty, to effectively protect the lessee from obsolescence by remodeling the property, etc. The difficulties of evaluating the future costs, both individually and collectively, and thus the maximum potential risks under such commitments may be so great that the transaction should be accounted for by the operating method.

Participation by Third Parties

Some manufacturer or dealer lessors sell or assign leases to independent financing institutions (including leasing companies). Alternatively, a manufacturer or dealer may sell property to such financing institutions at the time of securing a lessee for the property for the benefit of the institution. In either case, a third party is participating in a leasing transaction involving a manufacturer or dealer and the lessee. In these cases, the terms of the underlying lease and the risks and rewards of ownership retained by the manufacturer or dealer determine the accounting for the transaction.

The sale or assignment of an *operating* lease by a manufacturer or dealer should continue to be accounted for as an operating lease and the proceeds should be reflected as a loan. Likewise, the sale to a financing institution of property subject to an operating lease, with the manufacturer or dealer effectively retaining the risks of ownership, is not a sale in substance and, therefore, should not be reflected as a sale. Instead, the transaction should be reflected as a loan and income should be recognized under the operating method. (Transactions of these types are in effect collateralized loans from the financing institution to the manufacturer or dealer.) However, the sale of property subject to an operating lease should be reflected as a sale if all risks and rewards of ownership are transferred to the purchaser.

Significant uncertainties of the type described in the preceding section may exist in some third-party participation leases that otherwise appear to meet the conditions of a *financing* lease. In these lease transactions, a manufacturer or dealer may by various means guarantee recovery of the investment by the financing institution and retain substantial risks of ownership, thereby protecting the financing institution from such risks. The guarantee may involve a formal or informal commitment by the manufacturer or dealer (1) to acquire the lease or the property in the case of default or termination of the lease by the lessee; (2) to substitute an existing lease; or (3) to secure a replacement lessee or a buyer for the property. (This last commitment is often described as being on a "best efforts" basis but may be effected on a priority basis over other similar property owned by the manufacturer or dealer.)

A manufacturer or dealer may thus retain substantial risks of ownership in a third-party participation leasing transaction as a result of commitments that effectively guarantee recovery of the investment to a financing institution which purchases property. In these circumstances the transaction does not meet the conditions of a financing lease and the manufacturer or dealer is precluded from recording it as a sale. Rather, the transaction should be recorded as a loan from the financing institution with income from the transaction recognized under the operating method. However, the sale or assignment, with or without recourse, by a manufacturer or dealer of a lease that has been determined to be a financing lease does not negate the original determination that the lease should be accounted for as a sale.

Transactions with Affiliates

Some manufacturers or dealers have ownership interests in investee companies (see APB Opinion No. 18), partnerships, or unincorporated joint ventures to whom they sell or assign leases or sell property which is leased to independent lessees. The considerations discussed in this Accounting Interpretation also apply to these transactions. In addition, elimination of intercompany profits and losses may be required.

[Issue Date: November, 1971]

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1125-T-3

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

US DISTRICT COURT
FILED
MAY 22 1974
SD of NY

PIERRE J. LeLANDAIS & CO., INC., et al,

Plaintiffs,

-against-

MDS-ATRON, INC., et al,

Defendants.

STIPULATION CORRECTING STENOGRAPHER'S MINUTES AND CHARGE

72 Civ. 2278 CMB Jr.

MICROFILM
MAY 22 1974

IT IS HEREBY STIPULATED AND AGREED by and between the attorneys for the respective parties herein that the Stenographer's Minutes in the above action are amended so as to correct the following errors contained therein:

1. Page 287, Lines 14 and 15 - the word "discussion" is corrected to read "decision".
2. Page 351, Line 12 - the number "23" is corrected to read "we".
3. Page 436, Line 9 - is corrected to read "Defendants' Exhibit AE received in evidence".

Dated: New York, New York
April 3, 1974

BUTOWSKY, SCHWENKE & DEVINE

By Michael C. DeVine
A Member of the Firm
Attorneys for Plaintiffs

ORIGINAL

FILED
DEC 31 1974
CLERK'S OFFICE

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

PIERRE J. LeLANDAIS & CO., INC., PIERRE J. LeLANDAIS, RESEARCH & SCIENCE INVESTORS, INC., INTERCONTINENTAL TECHNOLOGY & NATIONAL RESOURCES, CORONET FUND, and CREATIVE CAPITAL FUND,

Plaintiffs,

-against-

MDS-ATRON, INC., MOHAWK DATA SCIENCES CORP., JOSEPH S. STOUTENBURGH and RICHARD L. KARPEN,

Defendants.

72 Civ. 2278-CLB

41637

FINDINGS AND CONCLUSIONS

Brieant, J.

This action was initiated May 25, 1972 and tried before me without a jury commencing on February 11, 1974. The post-trial briefs and memoranda of the parties have been considered.

By their amended complaint filed June 1, 1973, plaintiffs assert numerous and variously stated claims against some or all of the defendants. The Court has subject matter jurisdiction of those claims pleaded under the federal securities laws, and pendent jurisdiction of common law claims pleaded, as well as personal jurisdiction

MICROFILM
DEC 31 1974

over all of the parties except for defendant Joseph S. Stoutenburgh, upon whom personal service of the summons and complaint was never effected.[1/]

Plaintiffs seek to recover damages by reason of claimed breach of §§14a and 10b of the Securities Exchange Act of 1934; Rules 14a-9 and 10b-5, arising out of the corporate merger hereinafter described. While eight (8) separate counts or causes of action are pleaded, it is unnecessary to summarize or list them.

A detailed pre-trial order was filed January 3, 1974. The stipulations and concessions of fact contained therein are incorporated herein by reference without specific restatement.

The Parties.

Plaintiffs are purchasers or successors in interest of purchasers of common stock of Atron Corporation ("Atron"), incorporated in Minnesota on November 27, 1968. Pierre J. LeLandais & Co., Inc., for purposes of this litigation, may be treated as the alter ego of Pierre J. LeLandais, whose Atron stock it acquired as beneficial owner. See Pre-Trial Order, ¶10. Intercontinental Technology & National Resources, S.A. (hereinafter "ITNR"), a Luxembourg corporation, became on or about November 18, 1969, the beneficial owner of

Atron stock, originally purchased by plaintiff Research and Science Investors, Inc. ("RSI").

RSI is a Maryland corporation which refers to itself as a venture capital fund. ITNR is an investment fund. Plaintiff Coronet Fund ("Coronet") is a partnership in which Rudi E. Ludt is general partner. It is a venture capital fund. Ludt is by occupation a professional money manager. Creative Capital Fund ("Creative") is likewise a partnership operated as a venture capital fund in which Erwin LePow is general partner. LePow's prior professional experience is that of senior vice-president of a company listed on the American Stock Exchange. Mr. LeLandais' professional experience has been that of an investment banker and stock broker.

Plaintiffs may be classified as experienced and knowledgeable investors of the sort to whom the relatively meaningless description "sophisticated" is so often applied. Indeed, defendants claim, with some justification, that their adversaries are "super-sophisticated."

Defendant Mohawk Data Sciences Corp. ("Mohawk") is a publicly owned New York corporation whose common stock is and was at all relevant times registered and publicly traded on the New York Stock Exchange. It is and was engaged in the design, development,

manufacture and sale, or disposition by rental arrangements having many characteristics of a sale, of electronic data processing equipment to be used by the ultimate computer customer. Defendant Richard L. Karpen was from January 1st to April 30, 1971 an officer and director of Mohawk, and a director of Atron. Defendant Joseph S. Stoutenburgh was President and a Director of Atron from its inception until April 30, 1971. Thereafter, until the date of trial, he was employed by a wholly owned subsidiary of Mohawk.

MDS-Atron, Inc. is a Delaware corporation wholly owned by Mohawk. It was formed as a corporate vehicle to effect a statutory merger of Atron whereby shareholders of Atron would acquire common stock of Mohawk, and Mohawk through its sole ownership of MDS-Atron stock would become in effect the owner of the business and assets of Atron. Atron merged with MDS-Atron, Inc., and in practical effect merged with Mohawk on April 30, 1971.

Factual Background.

A group of persons having special talents in the electronic data processing field, most of whom had previously been employed by Sperry-Rand, and participated thereby in the early development of "Univac", formed Atron in 1968 for the purpose of designing,

developing and manufacturing computer equipment or components to be sold to original equipment manufacturers. At all relevant times, Mohawk was Atron's principal customer, to the extent of approximately 90% of sales, and in addition, Mohawk was a supplier of peripheral devices such as line printers and card-readers to Atron for inclusion as components of Atron's systems.

In early 1971, Mohawk owned 195,000 shares of Atron common stock, and the Mohawk Pension Trust owned 16,000 shares, making a total of 211,000 shares out of 1,090,110 shares outstanding. Mohawk acquired some of its shares as original issue, and purchased the balance in January, 1969. All Mohawk's shares of Atron were purchased without registration under the Securities Act of 1933. All were subject to transfer restrictions, pursuant to a so-called investment letter, or otherwise, which prevented sale thereof by Mohawk without registration.

Mohawk, after January, 1971, had the contract right to terminate its purchases of Atron's principal product, and manufacture the product itself. Atron, in brief, was a single customer company, faced with the realistic possibility of losing that customer. It was operating at a substantial loss ($1,298,945.00 for its fiscal

year ending September 30, 1970, and continuing during the months immediately prior to April 30, 1971), but it possessed $3,000,000.00 in uninvested cash or cash equivalent.

Most, if not all, of plaintiffs, had acquired their shares directly or indirectly as a result of the efforts of LeLandais, or securities firms with which he had been associated. In December, 1968, Mohawk, together with other principals of Atron, purchased its first stock issue. In the course of these sales to so-called "founders", SCI Capital, Inc., a wholly owned subsidiary of LeLandais' then employer Stralem & Co., investment bankers, bought 3,750 shares.[2/] Later, of this stock, 1,668 shares were issued to LeLandais. Each of these shares were restricted as to transfer, and bore the customary legend on the certificates to that effect. In January, 1969, Mohawk purchased 187,500 additional shares. A private placement was effected that same month, in part through the efforts of LeLandais, and it was at that time that plaintiffs Coronet, Creative, LeLandais & Co. and RSI also acquired various holdings of Atron shares, all as detailed in the pre-trial order.

A second private placement took place in September, 1969, effected by Hamershlag, Borg & Co., an investment banking firm which

then included LeLandais among its members. In January, 1970 Ladenburg Thalman & Co. sold 300,000 shares to the public pursuant to a registration statement. These shares were sold in units of one warrant and two shares.

All shareholders of Atron, except those who purchased through the Ladenburg offering, had purchased unregistered shares pursuant to so-called investment letters, given according to the custom and practice in the financial community. The Court finds that the purchaser plaintiffs had actual knowledge of the terms and conditions of their respective subscription agreements and the letters given in usual form, representing their investment intent. These plaintiffs specifically agreed with Atron that the shares to be received by them were to be restricted as to transferability and that the certificates representing these shares would carry a restrictive legend. Each purchaser represented that he or it was purchasing the Atron shares for investment purposes only, and not with a view to distribution, and agreed that the shares would not be sold unless registered with the Securities and Exchange Commission, or following receipt of an opinion from Atron's counsel that the shares could be sold without registration.

Each of these plaintiffs, sophisticated and experienced investors, had participated in similar purchases of investment letter stock in the past, and knew the nature, extent and legal effect of their express representations and agreements with Atron placing limitations upon resale of the Atron private placement shares they purchased.[3/]

We must exclude plaintiff ITNR from any of the foregoing generalizations. The shares which ITNR claims to own were purchased in a block of 5,000 in connection with the September, 1969 private placement through Hamershlag, Borg & Co. These certificates were originally issued to plaintiff RSI as investment letter shares, and RSI executed the subscription agreement, which included representations of an intent to hold as an investment. These shares were "sold" to ITNR on November 18, 1969. All that ITNR acquired at that time, or held at any relevant time, was equitable ownership. No letter of investment intent was given by ITNR to Atron or to RSI. On December 9, 1969, at the request of RSI, record ownership of this stock was placed in the name of Boyd & Co., a nominee of the Schroder Trust Company in New York. Payment to Atron was made by RSI at the time of issue of the shares, when ITNR had no funds.

On or shortly after September 17, 1969, Stoutenburgh, then President of Atron, received a letter (Exhibit 32) from the attorney for RSI who advised that his client

> "expects that it will transfer these shares to a new foreign investment company to which RSI expects to act as Investment Counselor. I understand that John French has discussed this matter with you, and I have discussed it with David Finkelman of Stroock & Stroock & Lavan. The transferee would take the shares, of course, subject to the rights and obligations of an Investor as stated in the Stock Purchase Agreement. Will you please have an officer of Atron execute the duplicate of this letter enclosed herewith to indicate that Atron agrees to this arrangement.
>
> The name of the foreign investment company is Intercontinental Technology & Natural Resources S.A. Its custodian in the United States is Schroder Trust Company, which usually requests that securities carried by it be registered in the name of its nominee, Boyd & Co."

Stoutenburgh, acting for Atron, endorsed a carbon copy of the above letter "receipt acknowledged". The Court interprets this acknowledgement of receipt to indicate agreement or acquiescence in the transaction by Atron, but finds no particular legal significance therein.

On December 9, 1969 Boyd & Co., as nominee of Schroder

Trust Company, did become the holder of record of ITNR's shares. With respect to proxy solicitation material a corporation is entitled to deal in all respects with its shareholders of record. See Vol. II, Loss, Securities Regulation, p.876, and Vol. 5, Fletcher Cyclopedia Corporations, §§2007, 2053. If further authority be required for this simple proposition, see 17 CFR 240.14a-3(12)d, which became effective December 20, 1974. Adoption of this regulation by the Commission is some evidence that no such practice was required in 1971.[4/]

In 1971, a corporation such as Atron was not required to concern itself with whether nominees acting for offshore equitable owners of stock discharged their duties adequately, or communicated properly or sufficiently with their principals. When the owner of stock elected not to become the holder of record, but to place legal title in a nominee or custodian, or, as here, the nominee of a custodian, he accepted the risks consequent thereon. As will be seen below, ITNR at a critical point, "failed to get the word" from Atron or Mohawk, and was damaged as a result.

The Merger Proposal.

But, we are ahead of our story. We turn back to January 29, 1971, when, at Mohawk's invitation, Atron management met with officers of Mohawk, and agreed, subject to the approval of Atron's shareholders, that a merger would be proposed.

The Court finds nothing inappropriate about this suggestion, or its timing, or the way in which it was presented. There were good business reasons for the merger, both from the point of view of Mohawk and from Atron's position. Mohawk had the opportunity as a result of the merger to turn its restricted shares in Atron, a corporation undergoing a substantial monthly operating loss, into assets which had a net book value of approximately $4,300,000.00, of which $3,000,000.00 consisted of cash equivalents. Mohawk, together with its pension trust, owned approximately 19% of Atron.

Generally accepted principles of corporate democracy, which need not be amplified here, permit the shareholders to propose and vote upon a merger transaction, and grant to dissident minorities the right of appraisal. The Court finds no significance in the facts, taken separately or together, that the subject of a

merger was tendered to Atron by surprise, two days following Atron's annual meeting of shareholders which had been attended by Mohawk; that the subject was raised with no prior notice; that the Atron officers agreed forthwith, and set the exchange ratio of one share of Mohawk for four shares of Atron, that Ladenburg Thalman & Co., then considering itself Atron's investment banker, objected strenuously to the merger at first; that the final terms were agreed upon in the first and only discussion; and that neither Atron nor Mohawk made any independent study or appraisal of the proposed merger; or that Atron made no attempt to seek out other more favorable merger partners.

As previously noted, there were good business reasons for the merger. The parties had a right to merge. Even if it be concluded that the management of Atron acted hastily, this, under the entire circumstances of the case, was not inappropriate, and as noted, those who are aggrieved may vote against the proposed merger and exercise the appraisal rights granted to them by the statutes of Minnesota and most states, to receive the value of their shares in cash.

The agreement in principle to merge was made public

immediately on January 29, 1971, by means of a press release. The record date for determination of Atron shareholders entitled to vote was fixed at March 26, 1971. The proxy solicitation material was mailed on April 16, 1971, for the meeting to be held at Bloomington, Minnesota on April 30, 1971.

At the time the exchange ratio was fixed, Mohawk was selling at slightly more than four times the price of Atron. The relative market prices of the two stocks was the principal factor relied upon by the directors of Atron and Mohawk in fixing the exchange ratio. Their decision was not unreasonable. Atron faced difficulties, including an operating loss, and the possibility that its sole customer, Mohawk might, as it was permitted to do, seek a different resource, or manufacture the components itself. The market value of the Mohawk stock to be received was twice Atron's book value, two-thirds of which consisted of cash.

The Ladenburg firm expressed initial dissatisfaction with the exchange ratio of four shares of Atron for one of Mohawk. At a meeting held March 18, 1971, Mohawk's executive vice-president, Rifenburgh, convinced Ladenburg that the merger was prudent, and

indeed necessary. Ladenburg indicated then that it would support the merger and urge its clients to do likewise. Following that date, Stoutenburgh expected to receive the favorable votes of those shares owned beneficially or of record by Ladenburg, and also the votes of any public shareholders who would rely upon or seek the opinion of Ladenburg.

On February 5, 1971, LeLandais, then affiliated with Merkin & Company, a stock brokerage house, mailed a letter and research report (Exhibit 27) to a number of Atron shareholders with whom he or his former firms had prior business relationships. The letter treats the projected merger as a fait accompli. The report neither favored nor opposed the merger, but expressed a view that Mohawk's future prospects did not justify its present high price earnings multiple, and that holders of Atron shares should consider the advisability of making sales, prior to the merger and exchange.

On February 17, 1971, Stoutenburgh, President of Atron, visited LeLandais at Merkin's office. Although LeLandais and Stoutenburgh did not at that time enjoy cordial relations, Stoutenburgh, in order to obtain a favorable vote, desired to explain

why the proposed merger was advantageous. What took place at this meeting is discussed below in connection with the claim of deception concerning "free stock" (infra, p.28).

On February 26, 1971, Stoutenburgh, continuing his missionary efforts, met with an officer of Morgan Guaranty Trust Company, which owned 40,000 Atron private placement shares, purchased in September 1969. After Stoutenburgh's explanation, Morgan advised that it would support the merger, and voted 40,000 shares in favor.

Seven Hundred four shareholders of record were entitled to vote 1,090,110 shares of Atron common stock, and under Minnesota law, the affirmative vote of two-thirds of the outstanding shares (726,740) was required to approve the merger. As previously noted, Mohawk, and the officers, directors and employee founders of Atron and Halsey, held approximately 455,250 shares. The proxy solicitation was mailed on April 16, 1971, and within ten days, Atron's transfer agent reported that it had received proxies voting 770,649 shares in favor of the merger, and only 2,740 shares against. There was then no known organized opposition to the merger, and all persons including LeLandais, Ladenburg and

Morgan, who had or controlled substantial positions, had supported the merger.

The "Free Stock" Deception.

Plaintiffs seek to recover on two separate theories, the first of which is the so-called "free stock deception" theory. Briefly stated, plaintiffs claim that they were deceived by the written proxy solicitation materials (Exhibit 18), and also by oral representations made on behalf of defendants to plaintiffs either directly or through their group leader, LeLandais, into believing they would receive unrestricted Mohawk stock on the merger.

At the time of public announcement of the proposed merger, and thereafter, approximately 71% of the outstanding shares of Atron stock were restricted by investment letter. Nothing was said by Atron or Mohawk in the press release announcing the proposed merger about the effect, if any, of the merger on these investment letter restrictions. The proxy statement, dated April 16, 1971, was received by all plaintiffs except ITNR, within a few days after its date and read. Plaintiffs found their argument in part on a contention that the proxy statement "implicitly ... stated

that all holders of Atron stock would receive freely transferable Mohawk stock" (Plaintiffs' Post Trial Memorandum, p.8, emphasis added). There is no substance whatever in this argument. The provisions of the proxy statement, upon which reliance is placed, are found on pages 5 and 9 of the proxy statement. On page 5 it is stated that:

> "Certificates for Atron common shares should be exchanged for Mohawk certificates prior to sale or disposition since Atron certificates will not constitute good delivery of Mohawk common stock on the New York Stock Exchange."

Plaintiffs claim that they inferred from this indisputably correct and relatively standard boiler plate language, that Atron was informing them that the transfer agent will exchange Atron certificates for Mohawk certificates which will be in form satisfactory for delivery in transactions with member firms, that is to say, unrestricted and without any legend. There is no basis for drawing this conclusion. Atron did have considerable unrestricted stock outstanding. The restrictions and representations contained in the investment letters are self-executing, wholly without regard to whether the certificates bear a restrictive legend. The restrictive agreements or investment letters were clear, and their traditional meaning well known to plaintiffs. The Atron stock had

been held by plaintiffs for relatively short periods. Plaintiffs each had substantial experience in dealing with restricted stock purchased from other issuers. It was generally known in 1971 by such investors that a merger was foreseeable when the state of mind represented to exist in their investment letters came into being, and that the mere occurrence of a subsequent merger is not one of the accepted changes of circumstances upon which counsel may found an opinion relieving parties to an investment letter therefrom and approving sale without registration. If plaintiffs drew the contrary inference subjectively, which they say they did from the provisions on page 5, that inference was unwarranted and unreasonable, and is no basis upon which to hold Atron or Mohawk liable for misleading proxy information released in violation of Rule 14a-9 or otherwise.

Plaintiffs also rely on those provisions of the proxy statement devoted to dissenters' rights under the statutes of Minnesota regulating the internal affairs of corporations. At page 9 of the proxy statement, Atron shareholders are informed that dissenters may obtain "the fair cash value" of their shares. No distinction is made between restricted and unrestricted Atron

stock in this paragraph, and plaintiffs assert that because the information concerning dissenters' rights "does not state that fair cash value would be reduced as a result of any transfer restrictions," the reasonable reader is entitled to infer that in appraising dissenters' stock, all would be considered unrestricted. This latter proposition appears valid. We are cited to no provision of Minnesota law which would permit or require that stock of a dissenter, restricted as to transferability, would be valued less than unrestricted stock. In a proceeding to appraise the shares of dissenters in New York, mere market value, concededly higher where a corporation is publicly traded, for unrestricted stock than for restricted shares, is not the sole criterion in fixing value, nor is it even a major factor. Most courts applying statutes in pari materia with the Minnesota provisions, have long held that the value of shares where dissenters' rights are exercised in connection with a corporate merger is their full and fair investment value, taking into consideration that:

> "Offers for merger and consolidation are likely to be made to a corporation and accepted by it when the market price of its stock is depressed in relation to certain other valuation criteria .... Therefore, limiting the dissenter to the

> market price of his shares may enrich the majority at his expense. * * * [T]he theory of the dissenter's claim is that he desires a continuation of his investment unaffected by the change.
>
> The resultant valuations have generally concentrated on three principal elements: (1) net asset value; (2) market value; and (3) investment (or earnings) value. Most courts have considered all three...." 79 Harv.L.Rev. 1456-7, Valuation of Dissenter's Stock (1966).

See also 15 Fletcher Cyclopedia Corporations, 1973 Revised Volume, §7165.4, p.294:

> "The courts must determine the value of the shares of dissenting stockholders.... Appraisal must be upon a going concern basis rather than upon a liquidation basis.
>
> While there is no legal formula which can be enunciated or applied in valuation proceedings, the appraisal remaining a matter of judgment on the facts in each case, the court can reiterate accepted principles, which simply stated, are that the appraisal should take account of market value, investment value, and net asset value."

In the absence of authority to the contrary, we conclude that the Minnesota law is to the same effect, and that in a dissenters' proceeding, restricted shares would receive the same payment as would be given to unrestricted shares. Indeed, to hold otherwise would seem to permit undue oppression of shareholders

who had in good faith purchased unregistered shares with the intent of holding a long term investment position in the issuing corporation. Such investors, to the extent that they were holding for the long term investment, or going concern value of their shares, were not prejudiced by the presence of the restriction unless there were a merger.

LeLandais also contended at the trial that because page 5 of the proxy statement imposed a condition precedent to the merger, that the new Mohawk common stock to be issued to effect the merger be listed on the New York Stock Exchange, he inferred that such listing meant that each individual share certificate so issued must be freely marketable. In his testimony (Tr. p.202) he conceded however, that this limitation meant that "it is freely marketable unless the holder of that security has agreed in writing that it is not freely transferable." Each plaintiff had so agreed in writing.

The Court considers the proxy statement not misleading with respect to the free stock deception claim, and believes that if any of these plaintiffs drew the inference therefrom which they say they did, it was entirely unwarranted, and may not be a basis for fastening liability on defendants.

Oral Misrepresentations.

As an independent basis urged in support of the "free stock deception" theory, plaintiffs rely on oral communications said to have been made to them through LeLandais.

LeLandais testified, and I find, that he wrote Exhibit 28, a letter dated April 19, 1971, on the letterhead of Merkin & Co., directed to those Atron shareholders whom he or his prior firms had served, and that he did so prior to receipt of the proxy solicitation materials dated the same day. In his letter, he withdrew somewhat from the position of his February 5, 1971 letter and advised his followers that "the proposed merger ... is to the best interests of all of the Atron Stockholders and to you as one of the participants in the Private Placements of securities which I effected and, therefore I strongly recommend that you vote in favor of this merger." He testified that the letter was "triggered" by a disputed telephone conversation he claims to have had with Stoutenburgh on the same date. LeLandais' version of the telephone conversation is as follows: [Tr. p.205]

"A Mr. Stoutenburgh said, 'Pierre, I would like you to do me a favor.'

I said, 'What can I do?'

He said Ladenberg-Thalman was against the merger and he was afraid that unless he received enough proxies, the merger would not go through. And he said, 'If you really want your participants in your private placements to receive their free stock, you had better canvas them and get them to send their proxies in voting in favor of the merger.'

Q Was anything more said to the best of your recollection?

A I mean that's what I recollect of the conversation.

Q After April 19, 1971, but before April 30, 1971, did you have any discussions with either Mr. LePow, Mr. Ludt or Mr. French which related to the proposed merger in any way?

A Yes.

Q Did you speak with all of those gentlemen at different times?

A Yes.

Q And did you relate to all of those gentlemen the substance of your conversation with Mr. Stoutenburgh?

A Yes."

The April 19, 1971 letter does not state expressly or

implicitly that any representation had been made by Mohawk to the effect that Atron restricted shareholders would receive unrestricted Mohawk stock. The letter thus makes no mention whatsoever of what is now testified by LeLandais to be the sole cause for writing it. The Court finds this testimony incredible. Plaintiffs have not proved to my satisfaction that the conversation with Stoutenburgh took place as claimed. There is no corroboration for the conversation, and competent credible evidence exists directly to the contrary.

LeLandais testified that between April 19th and April 30, 1971, he related the substance of his claimed conversation with Stoutenburgh to LePow and Ludt. LePow's corroboration of LeLandais' testimony concerning the oral representation of April 19th, claimed to have been made by Stoutenburgh, is extremely weak. He testified (p.16) that they "rediscussed or discussed us getting free stock in the merger." LePow admits (p.31) that there was nothing in the proxy statement which "led me to believe it one way or the other," with respect to whether the Mohawk stock to be received in exchange would be free of the investment letter restrictions. Ladenburg's opposition to the merger, said to have been the cause expressed by Stoutenburgh for his concern, had collapsed a month before the claimed telephone call.

LePow admitted again (p.49) that there was nothing in the proxy statement which indicated that Creative would or would not receive freely transferable Mohawk stock.

Ludt testified (Exhibit 35, p.19) that he spoke with LeLandais only once concerning the proposed merger. His testimony was as follows:

"A Well, essentially the subject of the conversation was on interpretation of what the intent was with respect to the shares that the Atron shareholders would receive from Mohawk Data.

Q What was your understanding?

A My understanding was that we would get freely negotiable shares.

Q In return for the restricted shares you held in Atron?

A Yes.

Q Had you arrived at that understanding totally on your own efforts or through conversations with other people?

A Well, I arrived at that understanding by reading the proxy statement, and I wanted to confirm my understanding, and I talked to Pierre as to whether this was the intent, and I received an affirmative reply.

Q Can you recall more specifically what Mr. LeLandais told you?

A He said that we would get free stock, freely negotiable stock.

Q Did Mr. LeLandais tell you how he knew that?

A Well, the language of the proxy statement, in my judgment, makes this quite clear.

Q Did Mr. LeLandais tell you what made it quite clear to Mr. LeLandais?

A I think the same language and conversation which I think he had with the Atron people.

Q Did he specifically refer to conversations that he had with Atron people?

A I think he was in fairly frequent conversation with them.

Q Did he specifically tell you that he had spoken to Atron people?

A I would have to say, no."

If in fact a seasoned stockbroker such as LeLandais had received the bald representation or interpretation which he claims to have received from Stoutenburgh, and later the written proxy solicitation materials did not bear this out, one would think it would be normal and ordinary procedure for him to have given Ludt the substance of his discussions, and perhaps it is not too much to expect that he would have confirmed it in writing

to LePow and Ludt as well as Atron.

LeLandais' pre-trial deposition with which he was confronted (p.227, et seq.) is inconsistent with his trial testimony that he had imparted the good news to LePow and Ludt. I conclude that he was testifying more accurately on his pre-trial deposition than at trial, and decline to accept his testimony that he informed LePow and Ludt of the claimed oral representations made to him by Stoutenburgh.

On his deposition with respect to the claimed telephone conversation of April 19th, LeLandais testified that Stoutenburgh had called him. At trial he disclaimed memory as to whether he had called Stoutenburgh or whether Stoutenburgh had called him. Confronted with his prior testimony, he qualified his position (p.235) "when I talked to him [Stoutenburgh] I don't know whether it was the call he initiated, or whether it was my secretary that returned the call to him. But obviously the first call came from Mr. Stoutenburgh if there were two calls."

Joan Kane, formerly secretary to LeLandais, showed an entry on Monday, April 19th, in a desk diary kept in Merkin's

office, which reads "Stoutenburgh Re: Proxy material." She says that this entry reflects a call from Mr. Stoutenburgh to Mr. LeLandais in which Stoutenburgh told Kane that he wanted to speak to LeLandais regarding proxy material, to which the witness responded in substance, "thank you, I will tell him." At most, the entry shows that Stoutenburgh was trying to reach LeLandais on the telephone on April 19th. Stoutenburgh testified that during the period between the agreement to merge and the shareholders meeting, he believed that Atron shareholders, with the exception of the promotors, would receive freely transferable Mohawk stock.

Personal bitterness existed between LeLandais and Stoutenburgh, and each held the other in low esteem because of an unrelated matter. Stoutenburgh testified, (p.256) that he visited LeLandais in person on February 17th, "as much as I desired not to have any dealings with Mr. LeLandais." He believes that in that meeting he indicated to LeLandais the attitude of Mohawk management that they would give unrestricted shares if they could. He testifies that he had no recollection of speaking to LeLandais in April of 1971, and during the period "there was

every reason not to have called Mr. LeLandais." (Tr. p.269). He had been assured that the merger vote would be favorable, so he didn't need the aid of LeLandais. It is indisputably established that Stoutenburgh was in his office at Minneapolis, Minnesota on April 19th. Merkin's phone number does not appear on his call charges for that da e. I am satisfied upon the entire record before me that no call came from Stoutenburgh to the witness on April 19, 1971.

Mr. LeLandais was confronted again with his pre-trial deposition (Tr. p.236), and did not repudiate the testimony:

> "Q Mr. Stoutenburgh said to you that the private investors would be able to sell after the merger?
>
> A I don't think he put it that way.
>
> Q How did he put it?
>
> A As I said, I told him I was in favor of a merger only for one reason, and that is to provide a way for my stockholders to get out. And he said, 'Well, if we don't get the votes from your stockholders they won't be able to get out.'"

The witness did not ask Mr. Stoutenburgh what he meant by "get out" (Tr. p.236), he merely assumed that it meant they

would receive readily salable unrestricted shares without legends on the certificates. This may well have been an unjustified assumption. Stoutenburgh's conversation is equally susceptable to the inference, warranted by facts known to both parties to the alleged conversation, that Atron, incurring a monthly loss of $200,000.00, faced with loss of the customer responsible for 90% of its sales, terminating purchases, and incapable of developing other markets successfully, was in serious danger, and without recourse to this merger or some alternative merger, the shareholders would not be able to "get out", and the entire investment would dribble away in operating losses.

In addition to relying on the claimed conversation with Stoutenburgh, plaintiffs seek to rely on conversations between LeLandais and John Halsey. Halsey was employed by Merkin & Co. during most of the proxy solicitation period. LeLandais knew Halsey to be Stoutenburgh's brother-in-law, and discussed the subject of free stock with Halsey during that period "many times." However, during that period, although Halsey was a paid proxy solicitor for Atron, LeLandais did not know this fact (Tr. p.209), and accordingly was not dealing with

Halsey in any respect as an agent of Atron or defendants upon whom he or his group could rely. There was motivation to withhold from LeLandais the fact that Halsey was acting as a paid proxy solicotor for Atron because this employment was presumably inconsistent with Halsey's obligations as a full-time employee of Merkin. If Halsey did say anything to LeLandais about free stock, such representations as he might have made may not be imputed to these defendants, or relied on.

LeLandais disclaims any conversation with anybody at Mohawk prior to the effective date of the merger with respect to whether or not Mohawk would be issuing unrestricted certificates to Atron private placement holders (Tr, p.255).

During the January 29, 1971 meeting, Stoutenburgh raised the question with Mohawk, whether holders of restricted Atron stock would receive freely transferable Mohawk stock should a merger take place, and Wells or Rifenburgh, speaking for Mohawk, gave what Stoutenburgh considered to be an expression of attitude to the effect that "they would issue free stock if they could." (Tr. p.362).

This fairly stated the attitude and position of Mohawk management, as subsequent events illustrated. Stoutenburgh, Wells and Rifenburgh understood that the problem involved legal matters. There was no discussion in the January 29th meeting of registering the Mohawk stock to be issued in connection with the merger.

Stoutenburgh had no further discussions with Mohawk as to whether Atron restricted shareholders would receive freely transferable stock. He explained his answer, (Tr. p. 64) "I had no other occasion to really do that. They made an expression of attitude. It was simply a matter if legal determinations permitted, free shares would be issued."

On April 30, 1971, Stoutenburgh believed that with the exception of officers, directors and promoters of Atron, free shares would be received. He, as a founder and promoter, was not so benefitted, and at the closing of the merger signed a further restrictive agreement as a promoter. It was not until May 10, 1971, after the merger had been completed that he learned that restricted shareholders of Atron, other than officers, directors and promoters, would not receive freely

transferable Mohawk stock.

On May 10th, after the merger, LeLandais raised the problem of transferability of Mohawk shares. Stoutenburgh testified, "I told him that I didn't know anything about it, please contact Mohawk. They are the only people that can answer the question." He testified, and I believe, that this was the first time he learned of any difficulties with respect to receipt of freely transferable Mohawk stock by former Atron shareholders other than promoters.

In conclusion, there is a complete failure of proof with respect to plaintiffs' contentions that the proxy statement was misleading, or omitted to state material facts necessary in order to make the statements therein not misleading, with respect to the question of whether restricted shareholders of Atron would receive unrestricted shares of Mohawk in the merger which could be sold in market transactions without registration under the Securities Act of 1933. Also, plaintiffs fail to prove any cause of action arising out of the restrictive legends placed upon their Mohawk share certificates. This result follows whether their claim be viewed as a violation of Rules 10b-5 or

14a-9 under the 1934 Act, or common law fraud or otherwise, and whether alleged in reliance on oral representations of Stoutenburgh, or others, or written misrepresentations, or omissions in the proxy statement. As to this branch of the litigation, defendants are entitled to prevail in all respects.

The "Accounting Change Deception".

This aspect of the case finds plaintiffs on firmer ground. The proxy statement dated April 16, 1971 remained in effect until the close of the shareholders meeting on April 30, 1971 at which the proxies solicited thereunder were voted in favor of the merger. As was held in Gould v. American Hawaiian Steamship Co., 351 F.Supp. 853, 868 (D.Del. 1972), cited with approval in Chris-Craft Industries, Inc. v. Piper Aircraft Corp., 480 F.2d 341 (2d Cir. 1973):

> "Rule 14a-9 specifically requires that solicitation material which has become false or misleading must be corrected by subsequent materials. Thus, assuming that the ... proxy materials were accurate when initially approved, the proxy materials should have been amended to reflect subsequent occurrences or changes which rendered the initial disclosure false or misleading. Insofar as they knew or ought

> to have known that facts originally disclosed subsequently became inaccurate, the directors were under a continuing obligation to make certain that the proxy materials were amended and remained complete and accurate."

The proxy statement furnished plaintiffs contains all of the usual materials needed in order to permit consideration of a corporate merger. Specifically, these include comparative net income statements, comparative book values, dividend records, statement of operations, consolidated statement of income of Mohawk and its subsidiaries, a pro forma combined operating statement of Mohawk plus Atron, as well as the comparative historical profitability records of the constituent corporations and financial statements.

Note J to the financial statements, found beginning at page 46 of the proxy statement, disclosed that Mohawk had rented certain equipment to its customers for various periods and, commencing in 1970, had sold this equipment subject to the leases, to non-affiliated third parties for approximately $4,100,000.00. In the event that the lessees returned the equipment, cancelled their leases or for bad credit or other reasons failed to perform their obligations to make payment, Mohawk had the opportunity to

assign substitute leases to the non-affiliated third parties, or substitute equipment leased to the same lessees. In addition, after the expiration of a five year period, the Company would participate in future rentals and have an option to repurchase at salvage value, any or all of such units sold. The proceeds of such "sale", subject to a reserve for doubtful accounts, was booked as an item of revenue in the year in which the sale of the leased equipment to such non-affiliated third parties was made. As of the date of the proxy statement, and previously, this method of accounting, termed the so-called "financing method" was one of two generally accepted and appropriate principles of accounting for the revenue received by a lessor of property such as Mohawk.

The other generally accepted method was known as the "operating method." The difference between these two accounting methods is that the financing method in effect recognizes the lease, even when not sold to the third party lender, as a sale or loan transaction. The operating method, on the other hand, accounts for revenue from a lease solely as a rental transaction.

Under the financing method, the excess of the total

rentals to be received under the lease, over the manufacturers' cost of the leased equipment, after giving effect to an adjustment for residual value at the end of the lease, is considered as the consideration payable to the lessor for the investment he has made in the property. Since the transaction is treated as if it were a loan or a sale on the installment basis, that excess is taken into account on the accrual basis as profit in the year made, and in periodic amounts on a declining basis depending on the unrecovered cost of the investment of the lessor. See explanation of the expert witness Rosner, Tr. p.454, et seq. The effect is to bulk a larger portion of the profit via the financing method in the first or early periods of the lease.

Where the operating method is used, the rentals are taken in as accrued as general revenue, and there is charged to the income account of the lessor, or the profit and loss account, any costs of the leased property, such as depreciation of its original cost, maintenance, repairs, bad debt expense and related items. The difference between the rent and these depreciation, maintenance and related costs is the net profit reflected in the income account applicable to the lease itself for the period in which the rent is accrued.

Both accounting methods were in accordance with accepted principles of accounting in 1970 and 1971.

At least prior to November, 1971, it was also permissible after a lease had been effected, and booked under the financing method, to "sell" the transaction to a third party. Such third party sales gave rise to income booked in the year of effecting sale, equal to the full amount of the entire aforementioned excess, or the net rewards to be expected from the leased property over its entire life, with a suitable provision for a reserve for uncollectability or rejection of the leased equipment prior to termination of the lease. This had the practical result of booking as current income monies which in truth could not be said to have been earned fully until some future time when the lessee had fully performed its obligations with respect to the machinery.

Many prestigious corporations engaged in the leasing of equipment, and, represented in their fiscal affairs by skilled accountants of the highest level of learning and ability, were booking their revenues in accordance with the financing method. These concerns were in effect reporting high profits,

in fiscal years prior to full performance of obligations, their own and customers, to be performed in the future.

Because use of these accounting principles, permitted by Accounting Principles Board, Opinion 7, effective after December 31, 1966 ("APB No.7") seemed to present an unrealistic picture of the true operating results of corporations manufacturing equipment for sale or lease, the practice came into some disrepute among conservative accountants, beginning earlier than 1971. For example, an "Accounting Interpretation on APB No. 7", issued by the staff of the American Institute of Certified Public Accountants, Inc. (hereinafter the "Institute" --the body which issues APB's) and published in the Journal of Accountancy for November 1971, shortly after the merger, says (p.78):

> "[T]he sale to a financing institution of property subject to an operating lease, with the manufacturer or dealer effectively retaining the risks of ownership, is not a sale in substance and, therefore, should not be reflected as a sale. Instead, the transaction should be reflected as a loan and income should be recognized under the operating method. (Transactions of these types are in effect collateralized loans from the financing institution to the manufacturer or dealer.) However, the sale of

> property subject to an operating lease should be reflected as a sale if all risks and rewards of ownership are transferred to the purchaser."

Although the above opinion, clearly critical of the theretofore permissible practice of Mohawk, was not issued until after April 30, 1971, both Mohawk management and its accountants knew that the practice had become subject to professional criticism, prior to April 16, 1971, and there had been discussions about changing to the operating method. Neither the existence of the problem, nor the discussions concerning the change were communicated to Atron or plaintiffs prior to the merger, nor were they referred to in the proxy statements.

When a corporation changed from the financing method to the operating method, it would restate its historical income downward, and the amount by which the past income was restated downward would be available to be booked again, when realized, that is, added on to future income. As the expert witness Rosner pointed out (Tr. p.467): "The profit is still there. It is primarily a question when you record the profit." The profit will be recorded earlier under the financing method.[5/]

It is accepted accounting practice to present comparable financial statements for two or more consecutive years. Unless the prior statements were adjusted retroactively, they would not be comparable in the case where a change of accounting principle has been made. Accordingly, it is universal practice where such an accounting change is made, to adjust the prior period retroactively so that the two financial statements will be comparable.

Prior to 1971, Mohawk's fiscal year had ended on July 31st. In 1971, it advanced its fiscal closing from July 31, 1971 to April 30, 1971, so that the nine-month period ending April 30, 1971 constituted a fiscal year, coinciding with the effective date of the merger with Atron, and with the change in accounting for "sales" of leased machines.

Mohawk effected these two changes as of the close of business on April 30, 1971. There was no disclosure whatsoever of the intended changes in the proxy statement, which spoke as of that date, nor did any of these plaintiffs know about the change when they voted their proxies.

I find that either of the accounting changes taken alone was material, and a failure to disclose them was a material omission. Taken together, the materiality is greater than for either change taken alone. Also material is a statement by management of the reasons or a statement of the operative facts which impelled the changes. See 17 C.F.R. §§ 240.14a-3, 240.14a-101.[6]/

Long prior to April 30, 1971, doubts had arisen in the minds of the persons charged with the responsibility for Mohawk's accounting procedures as to the appropriateness of continuing to use the financing method and third-party sales reporting in effect, instant profits from long term leases. Premature terminations of leases which had been the subject of third-party sales had exceeded Mohawk's original expectations by a substantial amount. In addition, certain third-party transactions had not provided the entire sales proceeds in immediate cash for Mohawk. It was reporting these sales as instant earnings, although not receiving the cash flow which the casual reader of a financial statement would associate with the amount of dollars in sales booked during the period.

Wells, Executive Vice President and Treasurer of Mohawk and Rifenburgh, who was President of Mohawk, had, within the scope of their authority, decided, as early as March, 1971, that they would change Mohawk's fiscal year from July 31st to April 30th, and make the change effective for fiscal 1971, so that that year would end three months early. This change in the fiscal year had been approved by the Board of Directors of Mohawk, but the decision to change the fiscal year was not disclosed publicly or announced until May 4, 1971, when it was contained in a press release (Exhibit XY). This change in the fiscal year had various purposes, among which were (a) to facilitate a change to the operating method of reporting earnings, (b) to apply a cosmetic treatment to adverse earnings for the current period, and (c) to eliminate bookkeeping inconveniences suffered with respect to a July 31st closing (Ex.22). In addition, management wanted to have the new fiscal year coincide with the introduction of a new product line, and put behind itself a period of flat earnings. In order to effectuate the change in Mohawk's fiscal year, its certified public accountants began the audit earlier than usual, and before April 30, 1971. They did so pursuant to management's direction.

In March 1971, Wells and Rifenburgh also decided that commencing May 1, 1971 Mohawk would discontinue the practice of third-party sales. This in itself was a substantial change in the nature of Mohawk's business and should have been disclosed in the proxy statement. It was revealed in an interview with Reuter's News Service on April 19, 1971, but is not set forth in the proxy statement, and no press release was issued prior to the shareholders' meeting on April 30th. There is no evidence that plaintiffs had actual or imputed knowledge of that change.

A day or two following April 22nd, and prior to the shareholders' meeting, the certified public accountants approved and recommended the change from the financing method to the operating method. On April 28, 1971, again prior to the meeting, management's decision had crystallized to the point that Mr. Hengen, Mohawk's public relations officer, was asked to draft an outline for the press release to be issued in conjunction with a meeting with security analysts to be held on May 4th. Additional conversations were held between Wells and Hengen between that date and April 30, 1971. The press release, formally issued on May 4, 1971, but prepared prior to April 30th, discloses

the intended change in accounting methods.[7]

The change in accounting alone resulted in a restatement of Mohawk's prior fiscal period ending July 31, 1970, by which revenues were decreased 4%, net income was decreased 18%, and net income per share was dropped $.50 from $1.52 to $1.02. For the short fiscal period of 1971, the income was reduced in the amount of $1,000,315.00. In addition, other miscellaneous adjustments reducing Mohawk's net income substantially were not disclosed in the proxy solicitation material, although mentioned in the May 4, 1971 press release.

The Court believes that these omissions, all considered together, were material. Income, and earnings per share, traditionally have been considered material in fixing the price or value of stock. Prices of shares are ordinarily quoted in terms of a price-earnings multiple. While sophisticated securities analysts, such as Mr. O. Seaburn Eaton, who testified at the trial, have become accustomed to treat historic earnings statements of electronic data processing equipment companies with a degree of cynicism, (Tr. p.336), these changes were of sufficient magnitude that they should have been disclosed in the proxy statement.

In a nondisclosure case under Rule 14b-9 as well as Rule 10b-5[8/] plaintiff must show "that the facts in question were material 'in the sense that a reasonable investor might have considered them important' in making his investment decisions." Schlick v. Penn-Dixie Cement Corp., ____F.2d ____, (2d Cir., October 31, 1974, Docket No. 73-2677, p.5856). See also, Chris-Craft Industries, Inc. v. Piper Aircraft Corp., 480 F.2d 341, 374 (2d Cir. 1973).

The Court finds that the totality of omissions was material in that plaintiffs, other than ITNR might have acted differently in connection with the merger. The only thing they could do was to vote "Yes" or "No". Their sole remedy to avoid receiving Mohawk stock which might have appeared unattractive with its earnings restated, would have been to vote "No," and demand an appraisal under the Minnesota statute.

No proof of reliance is necessary in an omission case [Affiliated Ute Citizens v. United States, 406 U.S. 128 (1972); Mills v. Electric Auto-Lite Co., 396 U.S. 375, 385 (1970)], and the Court finds that plaintiffs, other than ITNR have proved all of the elements of their cause of action based on the misleading

omission of the accounting and operating information hereinbefore mentioned, and are entitled to recover their provable damages upon that claim.

Damages.

Neither side of this litigation has presented persuasive evidence of the true value of Atron common stock as of April 30, 1971, contrasted with market price.[9/] On that date the average bid and asked quotations for Atron were 10 3/4 and 11 1/4. On January 29, 1971, when the merger was agreed to and announced, the average price of Mohawk stock was $29.00, and Atron was $8.00.

On March 12, 1971, the date the Agreement of Merger was signed, Mohawk was $34.38 and Atron $7.80. April 16th, the date of the proxy notice, Mohawk was $39.75 and Atron $9.25. On April 30th the relative prices were $44.63 and $10.94.

The Directors of Mohawk, who owed a fiduciary duty to the corporation and its other stockholders, had concluded that the value of Atron was $8.60 per share when they agreed in writing on March 12, 1971 to give a quarter share of Mohawk,

then selling at $34.38 per share, for each share of Atron. This agreement, openly arrived at, and negotiated at arms length, at least insofar as Mohawk was concerned, was effected under such circumstances as to estop Mohawk equitably from denying in this action that Atron stock had a value of at least $8.60. There is no persuasive evidence to support any greater value, and the April 30th price of Atron appears solely to have resulted from arbitrage. We consider the intrinsic or investment value of Atron, without regard to any benefits flowing from the Mohawk merger. See discussion supra, p.19 .

The measure of damages is compensatory. Plaintiffs are entitled to be placed in the same position they would have enjoyed had they received the omitted information in the proxy statement, and had they voted against the merger, and pursued their dissenting shareholders' rights of appraisal. While the statutory appraisal proceedings would have incurred expenditures for experts and legal fees, as a practical matter, the plaintiffs have incurred at least the same expenses in this litigation, so there is no need to adjust damages to account for the costs of obtaining the remedy in the Minnesota state courts.

It would be speculative and unjustified to assume that the merger would have been defeated if these shares had been voted in the negative. Defendants concede that the merger would have been effected nonetheless. (Post Trial Memorandum, p.165).

Nor can we accept defendants' contention that without the merger the Atron stock had "for all practical purposes, no intrinsic worth whatever" (ibid, p.165). While Atron's prospects were not good, it could have been merged with some other concern or liquidated, and Mohawk is equitably estopped, as previously noted, to deny that Atron was worth the value it paid or gave to acquire the merged company.

I decline to find that the changes in accounting methods or the discontinuance of third-party sales or any combination of such events, was the cause in the decline in price of Mohawk stock between May 3, 1971 and August 25, 1971, the date of filing of the Registration Statement. This decline was caused by a myriad of independent factors operating together, affecting the stock market in general, and computer shares in particular. However, the losses which the plaintiffs suffered do meet the test of causation set forth in Schlick, supra, which

held that both

> "loss causation--that the misrepresentations or omissions caused the economic harm--and transaction causation--that the violations in question caused the [plaintiff] to engage in the transaction in question" (at p.5855)

must be shown

> "in order to state a Section 14(a) claim: transaction causation to show a violation of the law from which a [plaintiff] may recover, and loss causation to show damages." (at p.5858)

The omissions, as we have held, violated the proxy rules and the regulations promulgated thereunder. But for such violation, plaintiffs might have voted against the merger, exercised their appraisal rights as dissenting shareholders, and avoided damage. Such "but for causation" is a sufficient basis to fasten liability. Cf. Pearlstein v. Scudder & German, 346 F.Supp. 443 (S.D.N.Y. 1972), on remand from order in 429 F.2d 1136 (2d Cir. 1970).

Coronet effected a short sale on May 5, 1971 (Pre-Trial Order, ¶33). It realized a profit when it covered the short sale. It did this inadvertently, and acting in the mistaken belief that it was selling the freely transferable shares of Mohawk which it

expected, unjustifiably, to receive as a result of the merger. The Court gives no consideration in fixing damages to the profit realized on the short sale. If plaintiffs' free stock deception theory were sustained, we would credit this amount as the result of action in mitigation of damages. However, Coronet was acting as a result of an inexcusable mistake. It knew or should have known its Mohawk shares were restricted. Had it suffered a loss in covering the May 5th short sale, such loss would not have been chargeable to the defendants here, since the Court does not sustain the free stock deception theory. Accordingly, equitable principles require that we treat the profit realized on the short sale no differently than we would have treated the loss. The same conclusion applies to the short sale profits of plaintiff RSI (Pre-Trial Order, ¶34).

The Registration Statement became effective August 25, 1971. At that time, plaintiffs came under an obligation to mitigate their damages arising out of their acquiescence in the merger, which the Court finds to have been caused by a misleading proxy statement. A thirty day period following August 25th would seem to represent a reasonable time within which plaintiffs should

have disposed of their Mohawk shares so as to mitigate their damages, and any plaintiff holding Mohawk shares after September 25, 1971, is considered by the Court to have made a new investment decision. Cf. Pearlstein, supra.

The lowest price during tnat period for replacement was $21.50 per share.[10/]

We compute and award damages as follows:

Coronet:

Value of 21,250 shares Atron at $8.60 =	$182,750.00
Value of 5,312 shares Mohawk at $21.50 =	-114,208.00
Damages	$ 68,542.00

Creative:

Value of 16,250 shares Atron at $8.60 =	$139,750.00
Value of 4,062 shares Mohawk at $21.50 =	- 87,333.00
Damages	$ 52,417.00

RSI:

Value of 10,000 shares Atron at $8.60 =	$ 86,000.00
Value of 2,500 shares Mohawk at $21.50 =	-53,750.00
Damages	$ 32,250.00

LeLandais & Co.:

Value of 6,334 shares Atron at $8.60 =	$ 54,472.40
Amount realized September 9, 1971 on sale of 1,583 shares Mohawk (Pre-Trial Order, ¶38)	-43,250.00
Damages	$ 11,222.40

It is of no significance that of Coronet's shares, 5,000 are still held. There is no basis for any rescission in this case, and Coronet will be amply compensated by money damages representing the difference between the value of its Atron stock and the value of its Mohawk shares on the date when it should have acted in mitigation of damages. Any damages suffered since that date are deemed the result of an independent cause, or a new investment decision to retain the Mohawk shares. Compensatory damages for loss, of which the breach of statutory duty is the proximate cause, will be adequate. Cf. Pearlstein, supra.

As heretofore noted, ITNR shares were not voted either for or against the merger. The failure of ITNR to vote either (1) against the merger, so as to be entitled to appraisal under the Minnesota statutes, or (2) for the merger, so as to be entitled to claim that it suffered damages as a result of the false and misleading proxy statement, bar any recovery on its part. Breach of the duties imposed by Rule 14a-9 were not the proximate cause of its damages.

Recovery shall be joint and several as against Atron, MDS-Atron, and Mohawk, each of which is regarded as a joint tortfeasor with respect to the violations found.

Defendant Stoutenburgh is entitled to a judgment of dismissal for lack of personal jurisdiction.

Defendant Richard L. Karpen, a director of Atron and a Vice President and director of Mohawk during 1971, showed affirmatively to my satisfaction that his conduct was free of wrongdoing. The complaint is dismissed as against him for failure of proof.

The Court declines as a matter of discretion to award counsel fees, believing that the damages hereinbefore set forth are adequate to compensate plaintiffs under all of the circumstances of this case, and further because the litigation has been unduly complicated and extended by plaintiffs act of joining the free stock deception theory claim, which the Court finds lacking in merit, for trial with a relatively simple and clear cut claim under Rule 14a-9. In so doing, plaintiffs imposed greater burdens on the defendants and the Court than would have been the case if the portion of the claim which the

Court finds meritorous had been asserted alone.

The foregoing, together with the stipulated facts set forth in the pre-trial order shall constitute the findings of fact and conclusions of law in this case pursuant to Rule 52, F.R.Civ.P.

Our Clerk is directed to enter Judgment in favor of the plaintiffs jointly and severally against MDS-Atron, Inc. and Mohawk, only, in the amounts set forth on p.52, supra, all with interest at 6% per annum from April 30, 1971 to the date of entry of Judgment, and costs, all pursuant to Rule 58(1), F.R.Civ.P., and shall also enter Judgment that all relief shall be denied to plaintiff ITNR, and dismissing as to defendants Stoutenburgh and Karpen.

Dated: New York, New York
December 27, 1974

Charles L. Brieant Jr

CHARLES L. BRIEANT, JR.
U. S. D. J.

F O O T N O T E S

1. Stoutenburgh was at all times available, and testified at the trial. This omission to serve process was called specifically to the attention of plaintiffs by Stoutenburgh's verified answer. That he was not served seems to have no practical bearing on the issues in this litigation, or the rights of the plaintiffs.

2. Atron stock was the subject of a reverse stock split, one for two shares in July 1969. Unless otherwise stated, all references are to the new shares.

3. Representative of the limitations is the legend on Atron stock certificate No. S-00026 issued to plaintiff Coronet Fund on November 24, 1969 (Exhibit No. 1C), which reads as follows.

> "The shares represented by this certificate have been purchased under investment presentations and no transfer or other disposition may be made except in compliance with the requirements of the Securities Act of 1933."

By undated letter physically attached to a Stock Purchase Agreement made as of January 16, 1969, Coronet, by the signature of R. E. Ludt, agreed with Atron as follows:

"The Purchaser hereby represents, warrants and confirms that Purchaser is acquiring the Stock for investment for Purchaser's own account and not with a view to, or for sale in connection with, any distribution of such Stock, and the Purchaser has no present intention of distributing or selling such Stock. The Purchaser acknowledges that the Stock is being issued and delivered without registration under the Securities Act of 1933 in reliance upon Purchaser's representation, as aforesaid. Purchaser hereby agrees that Purchaser will not resell or effect any other disposition of the Stock unless the Stock is duly registered under the Securities Act of 1933 or, in the opinion of counsel for the Company, such sale or disposition is exempted from such registration." [Exhibit 9]

4. This regulation, which is not retrospective, reads as follows:

"(d) If the issuer knows that securities of any class entitled to vote at a meeting with respect to which the issuer intends to solicit proxies, consents or authorization are held of record by a broker, dealer, bank or voting trustee, or their nominees, the issuer shall inquire of such record holder whether other persons are the beneficial owners of such securities and, if so, the number of copies of the proxy and other soliciting material and, in the case of an annual meeting at which directors are to be elected, the number of copies of the annual report to security holders, necessary to supply such material to such beneficial

> owners. The issuer shall supply such record holder with additional copies in such quantities, assembled in such form and at such a place, as the record holder may reasonably request in order to address and send one copy of each to each beneficial owner of securities so held and shall, upon the request of such record holder, pay its reasonable expenses for completing the mailing of such material to security holders to whom the material is sent."

5. Again, at p.472, the witness pointed out that when a reporting company shifts or changes from the financing method to the operating method of accounting for leased equipment, it decreases its otherwise reportable earnings for the period in which it makes the change and for the prior periods, and its future earnings will be greater than they would have been if it had continued to use the financing method and all other aspects of its business had remained the same. As the witness expressed it, "what had previously been reported as income is adjusted downward, and the income that had previously been recorded is in effect credited to a reserve account and subsequently in future years that income is taken into future income pro rata over the life of the lease."

6. 17 CFR §240.14a-3 provides:

> "No solicitation subject to §§240.14a-1 to 240.14a-11 shall be made unless each person solicited is concurrently furnished or has previously been furnished with a written proxy statement containing the information specified in Schedule 14A."

The instructions for preparation of Schedule 14A are to be found at 17 CFR §240.14a-101, Item 14, regarding, inter alia, mergers, require that the proxy statement:

> "(b) Furnish the following information as to the issuer and each person which is to be merged into the issuer or into or with which the issuer is to be merged.... What is required is information essential to an investor's appraisal of the action proposed to be taken."

In addition, Item 17, entitled "Restatement of Accounts," provides:

> "If action is to be taken with respect to the restatement of any asset, capital, or surplus account of the issuer, furnish the following information:
>
> (a) State the nature of the restatement and the date as of which it is to be effective.
>
> (b) Outline briefly the reasons for the restatement and for the selection of the particular effective date.
>
> (c) State the name and amount of each account (including any reserve accounts) affected by the restatement and the effect of the restatement thereon....

(d) To the extent practicable, state whether and the extent, if any, to which the restatement will, as of the date thereof, alter the amount available for distribution to the holders of equity securities." (Emphasis added)

7. By the Agreement and Plan of Merger dated as of March 12, 1971 (Exhibit No. 15) signed by Mohawk, Mohawk expressly warranted to Atron in part as follows:

"3. [Mohawk] has delivered to Atron (a) its consolidated balance sheet as at July 31, 1970, consolidated statements of income and capital in excess of par value and retained earnings for the year then ended and consolidated statement of funds for the year then ended, together with a report of S. D. Leidesdorf & Co., independent public accountants, with respect to such financial statements, and (b) its consolidated balance sheet as at October 31, 1970 and consolidated statements of income and capital in excess of par value and retained earnings for the three months then ended, prepared by [Mohawk]. Said financial statements and related notes are correct and complete in all material respects and fairly present the financial position (including all known contingent liabilities) of [Mohawk] and its subsidiaries as at the date of each balance sheet and the results of its operations and its use of funds for the respective periods covered by such financial statements. Such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods involved. Since October 31, 1970 there has been no change in the business, financial condition or results of operations of [Mohawk]

except changes in the ordinary course of business which in the aggregate have not been materially adverse or changes which are specifically permitted or required by this Agreement or to which Atron may consent in writing or changes of which [Mohawk] has advised Atron in writing prior to the execution hereof." [Emphasis added]

8. Certain controlling principles applicable to cases arising under Rule 10b-5 have been held applicable to cases arising under the proxy regulations. See Shapiro v. Merrill Lynch Pierce Fenner & Smith, Inc., 495 F.2d 228, 235 (2d Cir. 1974), and cases cited in footnote 12 therein.

9. Market price of Atron was affected by principles of arbitrage. Any practical investor knew the merger was most likely to be approved and effected--a fact reflected by the market. The greater the certainty and the nearer the date, the greater the arbitrage effect.

10. Coronet sold 312 shares of Mohawk on November 9, 1971 at $5,970.17. Creative sold 4,062 shares on November 30, 1971 at $60,459.36, and RSI sold 2,500 shares during November, 1971 at $41,260.20, LeLandais & Co. sold 1,583 Mohawk shares on September 9, 1971 for approximately $43,520.00 (Pre-Trial Order, p.15).

U.S. DISTRICT COURT
FILED
JAN 8 1975
S. D. OF N. Y.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

PIERRE J. LeLANDAIS & CO., INC.
PIERRE J. LeLANDAIS,
RESEARCH & SCIENCE INVESTORS, INC.,
INTERCONTINENTAL TECHNOLOGY & NATIONAL RESOURCES, CORONET FUND, and
CREATIVE CAPITAL FUND

Plaintiffs

-against-

MDS-ATRON, INC., MOHAWK DATA SCIENCES CORP., JOSEPH S. STOUTENBURGH and
RICHARD L. KARPEN

Defendants

72 Civil 2278 (CLB)

JUDGMENT #75,023

The above entitled action having been brought on regularly for trial, before the Honorable Charles L. Brieant, United States District Judge, on February 11, 13 and 14, 1974, and at the conclusion of the evidence the Court having reserved decision, and the Court thereafter on December 27, 1974, having handed down its opinion, constituting its findings of fact and conclusions of law in favor of the plaintiffs, it is,

Upon the findings and conclusions filed herein and dated December 27, 1974, ORDERED, ADJUDGED AND DECREED: That plaintiffs PIERRE J. LeLANDAIS & CO., INC., PIERRE J. LeLANDAIS, RESEARCH & SCIENCE INVESTORS, INC., CORONET FUND and CREATIVE CAPITAL FUND, have judgment against defendants MDS-ATRON, INC., and MOHAWK DATA SCIENCES CORP., jointly and severally in the amounts as set forth opposite their names:

CORONET:	$68,542., with interest at 6% from April 30,1971 to the date hereof amounting to $15,216.32, making a total of $83,758.32.
CREATIVE:	$52,417., with interest at 6% from April 30,1971 to the date hereof amounting to $11,636.57, making a total of $64,053.57.
RSI:	$32,250., with interest at 6% from April 30,1971 to the date hereof amounting to $7,159.50, making a total of $39,409.50.

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Pierre J. LeLandais & Co., Inc. -v- MDS-Atron, Inc.

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LeLANDAIS& CO. $11,222.40., with interest at 6% from April 30, 1971 to the date hereof amounting to $2,491.37, making a total of $13,713.77.

with costs to be taxed, and it is further,

ORDERED, ADJUDGED and DECREED: That all relief shall be denied to plaintiff INTERNATIONAL TECHNOLOGY & NATIONAL RESOURCES, and it is further,

ORDERED, ADJUDGED and DECREED: That the action be and it is hereby dismissed as to defendants JOSEPH S. STOUTENBURGH and RICHARD L. KARPEN.

Dated: New York, N.Y.
January 8, 1974

Raymond F. Burghardt
Clerk

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

PIERRE J. LeLANDAIS & CO., INC., et al., Plaintiffs,	:	72 Civ. 2278 CLB Jr.
-against-	:	
MDS-ATRON, INC., et al., Defendants.	:	

PLAINTIFFS' POST-TRIAL MEMORANDUM

FACTS

This action is based upon §§10 and 14 of the Securities and Exchange Act of 1934 and common law principles regarding fraud, fiduciary duty, and breach of contract. Plaintiffs, shareholders of Atron Corporation ("Atron"), were deceived and defrauded in connection with a merger of Atron into MDS-Atron, Inc. ("MDS-Atron"), a wholly-owned subsidiary of Mohawk Data Sciences Corp. ("Mohawk"). The merger occurred on April 30, 1971. Prior to the vote of Atron shareholders on the merger, Atron management solicited proxies in favor of the merger, and in connection with the solicitation used a proxy statement dated April 16, 1971 ("Proxy Statement").

The Proxy Statement

The Proxy Statement was prepared and distributed by Atron management, including defendant Joseph Stoutenburgh, then President of Atron. Its purpose was to solicit proxies in favor of the proposed Mohawk-Atron merger (Pl.18 (pg. 3)).*

Mohawk prepared, and transmitted to Atron management, the financial information regarding Mohawk which is contained in the Proxy Statement (Pl.18 (pg. 3)).

The Proxy Statement was distributed by interstate mail to all Atron shareholders, including all of the plaintiffs (S 28).

Atron's Relationship with Mohawk

Atron was founded in 1968. Most of its officers came from Sperry-Rand and were known to Mohawk's officers (S 17). Mohawk, as a corporation, in a private transaction, contributed a siginificant portion of Atron's initial capital, approximately 46% (S 16). Subsequently, Mohawk's pension fund purchased more Atron common stock, in a private transaction (S 16). In the four months immediately prior to the merger Mohawk and its pension fund owned 211,000 Atron shares, all of which was subject to transfer restrictions (S 16).

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* The following code is used for references to the record. "Pl.1" means plaintiffs' Exhibit 1, occasionally with reference to a page of the exhibit in parenthesis. "Def. A" means defendants' Exhibit A. "R1" means record transcript page 1. "S1" means stipulated fact, paragraph 1.

Throughout Atron's existence (from March, 1969) Mohawk had one designee on Atron's Board of Directors, at first Richard Rifenburgh, and later defendant Richard Karpen (S 21; S 26). Karpen was a director of Atron in the four months immediately preceding the merger. At the same time he was Excutive Vice-President and a director of Mohawk (S 27).

On at least one occasion Atron's board of directors met in the offices of Mohawk (Def. AB).

Throughout Atron's existence approximately 90% of its sales were to Mohawk (S 6). At no time did Atron conduct any significant, recurring business other than with Mohawk.

Under Atron's major contract with Mohawk, Mohawk had the right, after a certain number of units had been purchased, to manufacture the product itself and to terminate its purchases from Atron. In January, 1971, the prerequisite number of units had been purchased, and Mohawk was ready, willing, and able to begin manufacturing the product itself (Pl.18 (pg. 21); R 410-411).

From at least January, 1971, through April 30, 1971, Atron's officers, and a majority of its directors, were dominated by Mohawk (R 140 (line 13)).

The Merger

On January 27, 1971, Atron's annual meeting of shareholders was held. No mention was made in the notice of the meeting of a proposed merger with Mohawk (Def. W).

Two days later, on January 29, 1971, at Mohawk's invitation, officers of Atron met in New York with officers of Mohawk. Prior to the meeting the Atron officers did not know that a merger would be proposed. This subject was raised during the meeting by Rifenburgh. After a single caucus of the Atron officers, the proposal was agreed to and the exchange ratio was set at one share of Mohawk for four shares of Atron (R 136-142, 258-263, 386-389).

Immediately after agreement was reached, on January 29, 1971, Atron's investment banker, Ladenburg Thalman & Co. called Stoutenburgh at Mohawk's offices. They objected strenuously to the terms of the merger (R 263). No effort was made to alter the terms. The formal merger agreement reflected the terms agreed upon in the first and only meeting between the companies (Pl.15). Neither Atron nor Mohawk made any independent study or appraisal of the proposed merger (R 138-139). In January, 1971, Atron had approximately $3,000,000 in cash (about 67% of its assets), and a net book value of approximately $4,300,000 (Pl.18; R 410). Atron made no attempt to seek out other potential merger partners or to determine if more favorable terms could be obtained in a merger with a company other than Mohawk.

The merger was approved by Atron's shareholders at the special meeting held on April 30, 1971, and became affective immediately (S 29, 30).

The "Free-stock" Deception

Plaintiffs purchased their Atron stock from Atron, in private transactions (i.e., not registered with the SEC), between December, 1968, and November 1969. They made written investment representations, and their stock certificates bore a legend restricting transfer (S 10, 11, 12, 13, 14, 15).

Between December, 1968, and April, 1971, the market value of Atron stock increased to approximately $11 per share (Def. Z). From January 14, 1970, through April 30, 1971, Atron stock was traded publicly in the over-the-counter market (S 25; Def. Z).

Plaintiffs' purchases of Atron stock had been arranged in part through Mr. LeLandais, who was Atron's investment banker at that time. He also was a director of Atron from approximately March 18, 1969, through June , 1970 (S 18, 19, 20, 21, 24, 26; R 192-193). As a result, Stoutenburgh knew LeLandais and knew his relationship to plaintiffs and other holders of restricted Atron stock.

The Mohawk-Atron proposed merger was announced publicly on January 29, 1971 (Pl.14). The release said nothing about the effect of the proposed merger on the stock transfer restrictions.

In the January 29, 1971, meeting, at which Mohawk and Atron officers agreed on the merger, Stoutenburgh stated that he wanted those shareholders who had purchased Atron restricted stock in the first private placement to receive freely transfer-

able Mohawk stock as a result of the merger. In response the Mohawk officers stated that they saw no reason why that could not be done (R 261-262, 281-282, 390-391, 417-418).

Continuously from January 29, 1971, through at least April 30, 1971, Stoutenburgh believed that Atron shareholders who had purchased in the first private placements (excluding insiders) would receive freely transferable Mohawk stock as a result of the merger (R 264-265, 282). The attorneys for Atron shared Stoutenburgh's belief (R 264, 280-281).

During the same period (from January 29, 1971, through at least April 30, 1971) Stoutenburgh believed that Atron shareholders who had purchased in the second private placement would not receive freely transferable Mohawk stock (R 377 (lines 23-25)). In addition, between January 29, 1971, and April 30, 1971, Stoutenburgh learned that shareholders who were Atron "insiders" would not receive freely transferable Mohawk stock. This he learned from Atron's attorneys, who asked that all "insiders" sign a statement acknowledging that they were to receive restricted Mohawk stock (R 264-266).

To summarize, prior to the merger, Atron believed (a) that holders who purchased Atron stock in the first private placement would receive freely transferable Mohawk stock, (b) that holders who purchased in the second private placement would receive restricted Mohawk stock, and (c) that Atron "insiders" would receive restricted Mohawk stock irrespective of when then had purchased their Atron stock.

Despite the differing effect which the proposed merger was expected to have on different groups of shareholders, and despite the fact that approximately 71% of the outstanding Atron stock was restricted, the announcement of the proposed merger said nothing about the effect of the merger on the stock transfer restrictions (R 380-381; Pl.14).

Plaintiffs learned of the proposed merger shortly after its announcement (R 11, 196; Pl.25 (pg. 17)).

Knowing that the shareholders he had introduced to Atron would have an interest in the proposed merger, LeLandais asked a securities analyst to prepare a report on Mohawk, vis á vis Atron (Pl.27; R 196). Because of doubts about Mohawk's long-term position in the industry, the report recommended sale of Atron stock prior to the merger, if possible. LeLandais mailed the report to the above-mentioned persons (with certain exceptions) (R 196-198). All of the plaintiffs received the report (R 11, 198).

During the period from February 3, 1971, through April 16, 1971 (the date of the Proxy Statement), LeLandais had conversations with Mr. LePow (of plaintiff Creative Capital Fund) and Mr. French (representing plaintiffs RSI and ITNR), in which the proposed Mohawk-Atron merger was discussed (R 11-13, 198). The unanimous opinion was that, despite the somewhat negative report on Mohawk's long-term outlook, the proposed merger was desirable because the holders of restricted Atron stock would receive Mohawk stock which could be sold on the open market,

without restriction (R 12-13, 196-199). From this standpoint Mohawk's long-term prospects were less significant, so long as its market price held up through the merger date.

All plaintiffs received and read the Proxy Statement within a few days of its date, April 16, 1971 (R 13-14, 155-156, 200-201, Pl. 35(Pg. 18-19)). Implicitly, the Proxy Statement stated that all holders of Atron stock would receive freely transferable Mohawk stock. On page 5 the following appears:

> Certificates for Atron Common Shares should be exchanged for Mohawk certificates prior to sale or disposition since Atron certificates will not constitute good delivery of Mohawk Common Stock on the New York Stock Exchange.

Implicit in this statement is the premise that Mohawk stock may be sold, and that the transfer agent will exchange Atron certificates for Mohawk certificates which will be in form satisfactory for delivery in New York Stock Exchange transactions; i.e., unrestricted. The statement makes no distinction between holders of Atron restricted stock and holders of Atron unrestricted stock. That is, the statement does not reveal its inapplicability to approximately 71% (in shares) of its readers.

Further, a whole section of the Proxy Statement is devoted to dissenters' rights (Pl.18,(pg. 9, 48-49)). It states that any holder of Atron stock who objects to the proposed merger may obtain "the fair cash value" of his shares. Again, no distinction is made between restricted and unrestricted Atron stock. It appears that both had dissenters' rights and

that holders of restricted stock could receive cash for their shares, i.e., that in essence their stock could be sold. In addition, the dissenters' rights section does not state that fair cash value would be reduced as a result of any transfer restrictions, which again suggests that in appraising dissenters'stock all would be considered unrestricted stock.

The Proxy Statement did not go beyond these implicit statements. It was not explicit as to the effect of the proposed merger upon the transfer restrictions on approximately 71% of the outstanding Atron stock.

On April 19, 1971, Stoutenburgh called LeLandais about the "proxy material" (R 174-176, 200, 205-206). He asked that LeLandais vote in favor of the proposed merger and that he so recommend to any Atron shareholders with whom he spoke, if he and the participants in the private placements wanted to receive free stock (R 205-206). LeLandais responded that he was only in favor of the proposed merger because it would produce freely transferable Mohawk stock (R 234-237). Stoutenburgh responded that this could happen only if sufficient votes were obtained to approve the merger (R 236).

On the same day, April 19, 1971, after speaking with Stoutenburgh, LeLandais wrote a letter to most of the holders of Atron restricted stock(with certain exceptions). All of the plaintiffs received the letter (Pl. 28; R 200, 225; Def. H; Pl. 35 (pg. 26)). In the letter LeLandais stated that he was

going to vote in favor of the proposed merger, and he recommended that the recipients do the same. LeLandais' favorable view of the proposed merger was based substantially upon his conversation with Stoutenburgh (Pl.28; R 200).

Between April 19, and April 30, 1971 LeLandais spoke with LePow, Ludt, and French. LeLandais related to them his conversation with Stoutenburgh (R 14-17, 206; Pl.35 (pg. 18-21)). Hearing the substance of that conversation reaffirmed the plaintiffs' belief that if the proposed merger was approved they would receive freely transferable Mohawk stock.

On April 30, 1971, and for several weeks thereafter the plaintiffs believed that they would receive freely transferable Mohawk stock in exchange for their restricted Atron stock (R 17, 156-157, 210; Pl.35 (pg. 25, 47-48)). So believing, two of the plaintiffs placed sell orders for substantial portions of their Mohawk stock (S 33,34). Plaintiffs first learned of the transfer restrictions on the Mohawk stock which they had received in the merger when in connection with these sales Mohawk's transfer agent refused to issue unlegended Mohawk certificates in exchange for legended Atron certificates (R 17, 19, 157-158, 210-211).

On May 26, 1971, Mohawk first formally disclosed to holders of Atron restricted stock that they were to receive restricted Mohawk stock (Pl.20; S 35). Realizing the surprise and displeasure which that news would cause the recipients,

Mohawk, in the same notification, promised to register for public sale the restricted Mohawk shares being issued to former Atron shareholders (Pl.20). No such registration occurred until August 25, 1971, three months later (Pl.21).

The Accounting Change

Mohawk's fiscal 1970 covered 12 months, from August 1, 1969 through July 31, 1970. During fiscal 1970 (as in earlier years) Mohawk manufactured computer equipment, some of which it sold outright, and some of which it leased (S 7). Typically, in those years, Mohawk's leases provided for an initial one-year term following expiration of which the lease was cancellable, without cause, by the lessee, upon 90 days notice (Pl.34; R 54).

In fiscal 1970 Mohawk instituted a program of selling to so-called "non-affiliated third parties" equipment which Mohawk previously had leased to others. These sales were made subject to the existing leases (R 54-55), and in gross sales price amounted to approximately $1,000,000 per quarter, for which Mohawk was paid in full, in cash (Pl.18 (pg. 46, n.J.); Pl.34; R 73, 74, 77). Pursuant to the agreements of sale, Mohawk, in effect, guaranteed that the buyer would receive rent on the equipment for a period of 5 years (R 60-64). The sales price was computed in such a way that 5 years of rental payments on the equipment would equal the price paid plus a return on the investment. These sales of previously leased equipment were financing devices (R 60-64).

For fiscal 1970 Mohawk accounted for these transactions

as sales, and 100% of the price was treated as operating revenue, the so-called "operating method" (R 64). Using that method of accounting, Mohawk reported the following for fiscal 1970:

(a) gross revenues -- $102,550,000;

(b) net income -- $ 8,323,000;

(c) Net income per share -- $1.52. (Pl.18 (pg.13)).

In fiscal 1971, commencing August 1, 1970, Mohawk continued to make sales of previously leased equipment, at approximately the same rate as in the prior year, $1,000,000 per quarter (Def. T). The terms of the fiscal 1971 transactions were essentially the same as those in fiscal 1970, except that Mohawk did not receive the full price in cash, rather it received a cash down-payment of approximately 25%, and the balance in notes (R 73-74).

For the first six months of fiscal 1971 (August 1, 1970 through January 31, 1970), Mohawk continued to account for these transactions as sales, under the "operating method" (R 64-66).

Throughout fiscal 1970 and 1971, Mohawk's senior officers (including Wells and Rifenburgh) received monthly reports on the rate of termination of outstanding equipment leases, including leases on equipment which Mohawk had sold subject to lease (R 68). Through the end of fiscal 1970, and into fiscal 1971, the rate of lease termination exceeded Mohawk's original expectation, by more than 100% (R 67, 69).

During the third quarter of fiscal 1971 (February1, 1971 through April 30, 1971) Mohawk, and its independent auditors, S.D. Leidesdorf & Co., began to question the appropriateness and accuracy of Mohawk's method of accounting for sales of previously leased equipment (R 70-77). The concern was primarily a result of three factors:

(a) the substantially higher than expected rate of lease terminations (R 70);

(b) the failure of Mohawk, in fiscal 1971, to obtain 100% of the sales price in cash (R 71-72); and

(c) growing belief in the accounting profession that the "operating method" was improper as it was being used by computer manufacturing companies, over and above the particular circumstances ((a) and (b) above) which pertained at Mohawk (R 75).

On March 29, 1971, Wells (then Executive Vice-President and Treasurer of Mohawk) met with three representatives of S.D. Leidesdorf & Co., Messrs. Wise, Burke, and McClare. Burke took the position that Mohawk should not continue to use the "operating method", primarily because of its failure to obtain 100% of the sales price in cash (R 74-78). Wells disagreed (R 77). At that time Wells did not disclose to the Leidesdorf people the high rate of lease termination being experienced by Mohawk (R 78).

In March, 1971, Wells and Rifenburgh decided to change

Mohawk's fiscal year from a July 31 end to an April 30 end. They further decided to make the change effective for fiscal 1971, such that fiscal 1971 would cover only nine months and would end three months early, on April 30, 1971. The Board of Mohawk previously had authorized this change (R 78-81). Mohawk kept its decision to change the fiscal year secret until May 4, 1971, when it was disclosed in a press release (Pl.22; R 83, 86, 88-89).

The primary purpose of Mohawk's change in its fiscal year was to limit the visibility of its poor earnings performance in fiscal 1971, which was going to be poor (R 80-81, 85). Therefore, by shortening the number of months included within that period, the losses, when measured against twelve month periods, whould not appear as large as if compared on a per-month basis. Secondary reasons for the change were the advent of a new product line and the elimination of some inconvenience experienced with the July 31, close in the foreign operations (R 80-81, 85).

Due to the change in Mohawk's fiscal year, Leidesdorf began its audit of Mohawk's financial statements earlier than usual; namely, during April, 1971 (R 94).

In or about March , 1971, Wells and Rifenburgh decided that commencing May 1, 1971, (the beginning of fiscal 1972) Mohawk would discontinue the practice of selling equipment which previously had been leased (R 81-84, 89). This decision was

disclosed by Wells in an interview with Reuters News Service on April 19, 1971, but no press release was issued until May 4, 1971 (Def.T; Pl.22).

Thus as of March or April 1971, effective May 1, 1971, the question of the proper method of accounting for sales of leased equipment became moot at Mohawk, except for the then current quarter, and except for past periods. That is, the question was not "what will be proper accounting in future years", but rather "what presently is, and has been, proper accounting".

In April, 1971, Mohawk and Leidesdorf answered the question. Mohawk changed from the "operating method" of accounting for these sales to the "financing method". For the third, and last, quarter of fiscal 1971 Mohawk employed the new method. It also employed the new method in preparing its statements for the nine-month fiscal 1971, which in effect required a restatement of reports for the first and second quarters. In addition, Mohawk restated its reports for fiscal 1970, using the new method (Pl.25; Pl.21 (pg.6, n (b))).

Under the "financing method" the price for sales of leased equipment is not taken into revenues or income; rather the rents on the leased equipment are treated as revenue and income as they become due and are accrued. Thus at Mohawk the effect of changing from the "operating method" to the "financing method" was to reduce gross revenues, net income, and net income per share for those periods in which there had been sales of

leased equipment (Pl.25).

Between April 15 and 20, 1971, Wells and Rifenburgh discussed the change from the "operating method" to the "financing method". Rifenburgh suggested that Wells obtain the opinion of Leidesdorf with respect to such a change (R 91-96). Therefore, on or about April 22, 1971, Wells asked Wise, of Leidesdorf, for Leidesdorf's opinion regarding a change from the "operating method" to the "financing method". A day or two later Leidesdorf responded, stating that they both approved of, and recommended, such a change (R 96-102). Wells reported the response to Rifenburgh (R 102-103).

Wells did not disclose this change in the Reuters interview (Def.T).

However, on or about April 28, 1971, Wells spoke with Mr. Hengen, Mohawk's public relations man, regarding a meeting which Mohawk officers were to have with securities analysts on May 4, 1971 (R 107). Although Mohawk had a practice of meeting with analysts several times a year, no meeting had been held in 1971, and therefore, in early April, 1971, Mohawk had scheduled the meeting for May 4, 1971. It also was Mohawk's practice to issue a press release in conjunction with meetings with securities analysts. The content of the press release for the May 4, 1971 meeting was the subject of the conversation between Wells and Hengen on or about April 28, 1971. In the days from April 28, 1971, through April 30, 1971 (a Friday) Wells and Hengen had additional con-

versations regarding the press release (R 107-110, 284-286). That release, formally issued on May 4, 1971, discloses the change in Mohawk's method of accounting for sales of leased equipment (P1.22).

On May 3, 1971 (a Monday) Wells made an additional disclosure of the change. On that date, as arranged by Hengen, Wells was interviewed by Mr. Schmedel of The Wall Street Journal. Wells described to Schmedel Mohawk's change from the "operating method" to the "financing method", and under determined questioning, estimated that the change would cause a reduction in Mohawk's net income for fiscal 1971 of from 10 to 12 cents per share (R 115-119). Schmedel's article was published in the May 5, 1971 edition of The Wall Street Journal.

The change in the manner of accounting for sales of leased equipment had the following effect on Mohawk's financial reports for fiscal 1970:

	As originally reported	As restated	Change	% Change
Revenues	$102,550,000	98,402,000	(3,792,000)	(4%)
Net income	8,323,000	6,833,000	(1,490,000)	(18%)
Net income per share	1.52	1.02	(.50)	(33%)

(P1. 18; P1.21 (pp 4-5)).

The change had the following effect on Mohawk's financial reports for fiscal 1971:

	Reduction as a result of change	Reduction per share
Net income (P1.25).	$1,315,000	23¢

Mohawk made additional, negative accounting adjustments (i.e., with the effect of reducing net income) on its financial reports for fiscal 1971. The effect of these additional adjustments was to further reduce net income by $3,915,000, or approximately $.69 per share (P1.25). Mohawk made no disclosure of these additional adjustments prior to April 30, 1971, although the press release drafted in the last week of April, 1971, and issued on May 4, 1971, mentioned their existence (P1.22).

Damages

On the date of the Mohawk-Atron merger, April 30, 1971, Atron common stock had average bid and asked quotations, in the over-the-counter market, of $10-3/4 and $11-1/4 respectively (Def.Z). Four times the average of those quotations, namely, $44, is a true measure of the price per share paid by plaintiffs for the Mohawk stock they received as a result of the merger.

The average price of Mohawk stock on the New York Stock Exchange on April 30, 1971, also is a true measure of the price per share paid by plaintiffs for their Mohawk stock. That average price was $44-5/8 (S Sch. A).

By either measure plaintiffs paid approximately $44.25 per share for their Mohawk stock.

Thus the actual, out-of-pocket damage of the plaintiffs who have sold their Mohawk stock is computed as follows (S 37):

Plaintiff	No. of shares sold	Sale proceeds	Total paid	Damage (Difference)
Pierre J. LeLandais & Co.	1,375	$37,800	$60,844	$23,044
Pierre J. LeLandais	208	5,720	9,204	3,484
Coronet Fund	312	5,970	13,806	7,836
Creative Capital Fund	4,062	60,459	179,744	119,285
Research & Science Investors	2,500	41,260	110,625	69,365
				$223,014

Those plaintiffs who have not sold their Mohawk stock are entitled to rescission, as follows (S 38):

Plaintiff	No. of Mohawk shares (to be returned)	Total paid (to be refunded)
Coronet Fund	5,000	$221,250
ITNR	1,250	55,313

If the damages of the plaintiffs who have not sold is measured by the difference between the amount they paid for their Mohawk stock on April 30, 1971, and the true value of that stock, to them, on that date, the computation is as follows (S Sch.A):

Plaintiff	Total Paid	Total True Value	Damage (Difference)
Coronet Fund	$221,250	$140,000	$ 81,250
ITNR	55,313	35,000	20,313
			$101,563

The true value, on April 30, 1971, of the Mohawk stock received by plaintiffs was the amount which they were able to sell it for when the restrictions on its transfer finally were lifted, namely on August 25, 1971. On that date the average price of Mohawk stock on the New York Stock Exchange was 28-1/4 per share.

POINT I

DEFENDANTS VIOLATED § 14(a) OF THE SECURITIES AND EXCHANGE ACT OF 1934

Plaintiffs have proven (a) that they were shareholders of Atron; (b) that management solicited their proxies in favor of the merger; (c) that the solicitation contained misstatements and omitted facts; (d) that they misstatements and omitted facts were material; and (e) that they were damaged as a result of the corporate action taken on the basis of the proxy solicitation as a whole.

Thus plaintiffs have proved all elements of their case based on § 14(a) of the 1934 Act, and Rule 14(a)-9 promulgated thereunder, which prohibit proxy solicitations (written or oral) which are "false or misleading with respect to any material fact" or which omit "to state any material fact necessary in order to make the statement therein not false or misleading".

The applicable case law is contained substantially in two recent Supreme Court decisions: J. I. Case Co. v. Borak, 377 U.S. 426 (1964); and Mills v. Electric Auto-Lite Co., 396 U.S. 375 (1970).

In J. I. Case Co. v. Borak, supra, a stockholder sued his corporation, claiming that the corporation had effected a merger through use of a false and misleading proxy statement. Plaintiff alleged a violation by the directors of state, common law fiduciary duty and a violation by the corporation of §14(a) of the 1934 Act (and Rule 14a-9). A damage or rescission remedy was sought. The Court held that a private, civil, federal cause of action exists, for rescission or damages, if a violation of §14(a) of the 1934 Act is proved.

> It appears clear that private parties have a right under §27 to bring suit for violation of §14(a) of the Act. (pp. 430-1).
>
> * * * *
>
> Private enforcement of the proxy rules provides a necessary supplement to Commission action. As in antitrust treble damage litigation, the possibility of civil damages or injunctive relief serves as a most effective weapon in the enforcement of the proxy requirements. (p. 432).
>
> * * * *
>
> We, therefore, believe that under the circumstances here it is the duty of the courts to be alert to provide such remedies as are necessary to make effective the congressional purpose. (p. 433).

Thus the private, damage remedy under §14(a) of the 1934 Act was established.

In Mills v. Electric Auto-Lite Co., supra, the Supreme court proceeded to state the elements necessary to prove such a case. In turn the Court discussed:

(a) causation;

(b) materiality;

(c) relief and damages; and

(d) attorneys' fees and expenses.

Factually the Mills case closely resembles the present action. Plaintiffs claimed that the merger proxy statement was false and misleading because it failed to disclose that the acquiring company owned 50% of the outstanding stock of the company being acquired and thereby controlled its board of directors. The allegedly controlled board of directors was soliciting the proxies and recommending the merger.

The Supreme Court held as follows on the critical elements of §14(a) cases.

(1) Causation. There need be no separate proof on the issue of causation. The Court held that if a material misstatement or omission has been proved, then causation also has been proved.

> Where the misstatement or omission in a proxy statement has been shown to be "material," as it was found to be here, that determination itself indubitably embodies a conclusion that the defect was of such a character that it might have been considered important by a reasonable shareholder who was in the process of deciding how to vote. (p. 384).

As a corollary to that holding, the Court ruled that plaintiff need not show that the defect had a decisive effect on the vote.

> Where there has been a finding of materiality, a shareholder has made a sufficient showing of causal relationship between the violation and the injury for which he seeks redress if, as here, he proves that the proxy solicitation itself, rather than the particular defect in the solicitation materials, was an essential link in the accomplishment of the transaction. This objective test will avoid the impracticalities of determining how many votes were effected, and, by resolving doubts in favor of those the statute is designed to protect, will effectuate the congressional policy of ensuring that the shareholders are able to make an informed choice when they are consulted on corporate transactions. (p. 385).

(2) Materiality. The Supreme Court stated the standard precisely. Was the misstatement or omission "of such a character that it might have been considered important by a reasonable shareholder who was in the process of deciding how to vote." (see full quotation above).

In Gerstle v. Gamble-Skogmo, Inc., 478 F. 2d 1281 (2d Cir. 1973), Judge Friendly suggests that the standard may be slightly more stringent. In any event, in the present case, stated most advantageously to defendants, and applied to the present case, the test of materiality is "would the reasonable shareholder, in deciding how to vote on the merger, have considered it important that he was not going to receive saleable Mohawk stock, but that he could obtain the full market value of his Atron stock, in cash, by dissenting," and "would the

reasonable shareholder, in deciding how to vote on the merger, have considered it important that Mohawk was about to announce certain changes in its accounting methods which would require a significant downward restatement of net income for the prior fiscal year?".

If the answer to either or both of these questions is "yes," plaintiffs are entitled to judgment, and need only give this Court evidence sufficient for it to compute damages.

In Republic Technology Fund, Inc. v. Lionel Corp., 483 F. 2d 540 (2d Cir. 1973) the court said:

> Where a merger is in prospect, the earnings picture of the acquiring corporation has to be of real significance to the stockholders of the corporation proposed to be acquired, and the most current earnings are of the highest importance. See Kaiser-Frazer Corp. v. Otis, supra. Accordingly, failure to convey these earnings accurately, if the discrepancy is at all substantial, has to be material to the person being misled. (p.551).

(3) Relief and damages. Continuing with Mills, the Supreme Court held that the trial court has a degree of discretion, as a court of equity, with respect to relief and damages (see pp. 386-389). A right of rescission exists (p. 388). Monetary relief also is possible.

> Where the defect in the proxy solicitation relates to the specific terms of the merger, the district court might appropriately order an accounting to ensure that the shareholders receive the value that was represented as coming to them. On the other hand, where,

> as here, the misleading aspect of the solicitation did not relate to terms of the merger, monetary relief might be afforded to the shareholders only if the merger resulted in a reduction of the earnings or earnings potential of their holdings. In short, damages should be recoverable only to the extent that they can be shown. . . . . These questions, of course, are for decision in the first instance by the District Court on remand, and our singling out of some of the possibilities is not intended to exclude others. (p. 388-9).

One of the possibilities suggested by the Supreme Court is particularly applicable to the present case; namely, "ensure that the shareholders receive the value that was represented as coming to them." Here it was represented that the shareholders would receive saleable Mohawk stock which had a New York Stock Exchange price of $44-5/8 per share, based on earnings of $1.52 per share for the prior year. In fact the shareholders were to receive Mohawk stock not saleable until at least four months later, at a substantially reduced market price, based on earnings restated downward to $1.02 per share. Employing the Supreme Court suggestion, each plaintiff should receive the difference between $44-5/8 and what it sold its stock for, or its present value if it has not been sold. (See portion of fact statement supra relating to "damages").

(4) Attorneys' fees and expenses. The Supreme Court held, in Mills, that, despite the contra general American rule, the corporate defendant should pay the litigation expenses of

the plaintiff, including a reasonable attorney's fee.

> We agree with the position taken by petitioners, and by the United States as amicus, that petitioners, who have established a violation of the securities laws by their corporation and its officials, should be reimbursed by the corporation or its survivor for the costs of establishing the violation. (p. 389-90).

The Court went on to make it clear that this rule applies whether the action is on behalf of a class or on behalf of individual plaintiffs, without regard to whether a monetary fund is produced for the corporation.

> Although the earliest cases recognizing a right to reimbursement involved litigation that had produced or preserved a "common fund" for the benefit of a group, nothing in these cases indicates that the suit must actually bring money into the court as a prerequisite to the court's power to order reimbursement of expenses. "[T]he foundation for the historic practice of granting reimbursement for the costs of litigation other than the conventional taxable costs is part of the original authority of the chancellor to do equity in a particular situation." Sprague v. Ticonic Nat. Bank, 307 U.S. 161, 166 (1939). This Court in Sprague upheld the District Court's power to grant reimbursement for a plaintiff's litigation expenses even though she had sued only on her own behalf and not for a class, because her success would have a stare decisis effect entitling others to recover out of specific assets of the same defendant. (p. 392-3).

The stare decisis effect to which the Court refers of course is equally present in this action.

Thus the Mills decision details the necessary elements of a §14(a) case. Noticeably absent from that decision, is any mention of "scienter," which is an element of cases in this c rcuit under §10(b) of the 1934 Act.

Plaintiffs need not prove scienter. That is, they need not prove that the misstatements and omissions were made with any degree of evil intent. It remains an open question as to whether defendants' liability is strict in this regard, but at the very least, defendants are responsible if the misstatements or omissions were made negligently. In Gerstle, supra, Judge Friendly said:

> We thus hold that in a case like this, where the plaintiffs represent the very class who were asked to approve a merger on the basis of a misleading proxy statement and are seeking compensation from the beneficiary who is responsbile for the preparation of the statement, they are not required to establish any evil motive or even reckless disregard of the facts. Whether in situations other than that here presented "the liability of the corporation issuing a materially false or misleading proxy statement is virtually absolute, as under Section 11 of the 1933 Act with respect to a registration statement" . . . we leave to another day. (pp. 1300-1).

The question of strict liability need not be faced in this case either, for if the misstatements and omissions were not made intentionally, and with full knowledge, they certainly were made negligently. With 71% of the outstanding Atron stock bearing transfer restrictions, those restrictions having been imposed at different times, and the language of

the agreements creating the restrictions being different, the reasonable man (the reasonable corporation) would have made a determination as to whether the Mohawk stock to be issued was to be freely transferable as to all or some categories of shareholder and would have disclosed the determination. As to the non-disclosure regarding the change in accounting methods, wilfullness is obvious. As described in the fact statement above, the decision-making on several significant accounting changes and adjustments was carried on, and substantially concluded in March and April 1971. The press release (issued two business days after the merger) was written between April 28 and April 30, 1971, the latter being the day of the merger.

Also noticeably absent from the Mills decision, is any mention of "reliance," which may be an element of cases in this circuit under §10(b) of the 1934 Act.

Plaintiffs need not prove that they relied upon the misstatements and omissions. In Cohen v. Franchard Corp., 478 F. 2d 115 (2d Cir. 1973), Judge Timbers said:

> In Mills v. Electric Auto-Lite Co., 396 U.S. 375, 385 (1970) (Section 14(a)), and Affiliated Ute Citizens v. United States, 406 U.S. 128, 153-54 (1972) (Rule 10b-5), the Supreme Court held that, under the circumstances of those two cases, it was unnecessary to prove actual reliance. It was enough that there were material misrepresentations in solicitation documents which were "an essential link in the accomplishment of the transaction" 396 U.S. at 385. (p. 124, footnote 12).

To summarize, the proxy solicitation (including the Proxy Statement and statements mady by Stourenburgh to LeLandais) was false and misleading in at lease the following material respects:

(a) The Proxy Statement failed to disclose that holders of restricted Atron stock would receive restricted Mohawk stock. The materiality of this non-disclosure is evidenced by Stoutenburgh's efforts in the merger conference with Mohawk officials (1/29/71) to obtain assurances that free stock would be issued, by consultations between Atron and Mohawk officials and their attorneys on the subject, by the large percentage of outstanding Atron stock which was restricted (about 71%), by the sales which two plaintiffs made of Mohawk stock immediately after the merger date, by the alternative available to Atron shareholders of dissenting and obtaining the fair cash value of their shares, and, most importantly, by the May 26, 1971 letter (PJ.20) from Mohawk to former Atron shareholders explaining that their Mohawk stock would be restricted and that Mohawk would register their stock for sale. This letter not only evidences materiality by showing the subject to be important enough to require a separate, additional communication, but it serves also as a model for the type of statement which should have been includind in the Proxy Statement.

(b) The Proxy Statement, in at least two places, implicitly stated that the Mohawk stock to be received as a result

of the merger would be freely saleable (pp. 5,9).

(c) Stoutenburgh told LeLandais (on April 19, 1971, and in February, 1971 (R 269)) that is was expected that Mohawk would issue freely transferable stock.

(d) The Proxy Statement overstated Mohawk's revenues, net income, and net income per share for fiscal 1970.

(e) The Proxy Statement overstated Mohawk's revenues, net income, and net income per share for the 6-month period from August 1, 1970 to January 31, 1971.

(f) The Proxy Statement failed to disclose Mohawk's decision to make certain accounting changes and adjustments, at least as follows:

(i) to change its fiscal year from a July 31 end to an April 30 end, effective April 30, 1971;

(ii) to cease, as of May 1, 1971, making all sales of equipment on lease (which previously had run at about $1,000,000 per quarter);

(iii) to change, retroactively, from the "operating" to the "financing" method of accounting for sales of leased equipment, with the resulting effect of restating downwards previously reported revenue and net income figures; and

(iv) to make other negative adjustments to Mohawk's financial performance for fiscal 1971, with the resulting effect of reducing Mohawk's net income for fiscal 1971 by approximately $3,915,000.

(g) Note J (pg. 46) to the Proxy Statement was unclear and inaccurate in describing the terms and conditions of Mohawk's sales of equipment on lease, particularly (i) in not disclosing that the rate of lease termination was 20-25% and was more than 100% in excess of Mohawk's original estimates, and (ii) in not disclosing that in fiscal 1971 Mohawk was receiving only 25% of the sales price in cash, whereas it previously had received 100%.

POINT II

DEFENDANTS VIOLATED §10(b) OF THE 1934 ACT

Plaintiffs' action under §10(b) is founded upon the same misrepresentations and non-disclosures as found the action under §14(a).

The additional legal requirements of §10(b) actions are met here.

Plaintiffs are purchasers and sellers of securities, in connection with the fraud. Vine v. Beneficial Financial Co., 374 F. 2d 627 (2d Cir. 1967).

Although recent cases (in this circuit; e.g., Shapiro v. Merrill Lynch, Pierce, Fenner & Smith, Inc., ___F. 2d ___ (2d Cir. 1974), NYLJ, 4/9/74, pg. 1; and in the Supreme Court; e.g., Affiliated Ute Citizens v. U. S., 406 U.S. 128 (1972)) greatly have liberalized the so-called reliance requirement, there is no need here to consider that standard in depth because it is clear that the plaintiffs relied actually and directly upon the contents of the Proxy Statement and the statements

made by Stoutenburgh to LeLandais.

Similarly, there is no need to consider the cases regarding the so-called scienter requirement (see, e.g., Shemtob v. Shearson Hammill & Co., 448 F. 2d 442 (2d Cir. 1971), holding that a showing of mere negligence is not sufficient to sustain a §10(b) case, but that a "knowing use of a device, scheme, or artifice to defraud" is), because in the present case the misrepresentations and non-disclosures were knowing. See also, Heit v. Weitzen, 402 F. 2d 909 (2d Cir. 1968); Globus v. Law Research Service Inc., 418 F. 2d 1276 (2d Cir. 1969) pp. 1290-1291; Republic Technology, supra, at 551.

The following pattern evidences the intention with which defendants programmed the relevant events and non-disclosures.

(a) On January 27, 1971, Atron's annual meeting of shareholders was held. No mention was made of a proposed merger. On January 29, 1971, the merger was agreed to by the companies.

(b) On April 16, 1971, the Proxy Statement was issued. No mention was made of a discontinuance by Mohawk of third-party sales of leased equipment. On April 19, 1971 (the Monday following April 16, a Friday) Mohawk publicly announced discontinuance of such sales.

(c) In the April 19, 1971, press release no mention was made of a change in the method of accounting for such sales.

On April 20, 1971, Wells and Rifenburg conferenced and substantially agreed upon the change.

(d) On April 30, 1971, Atron's shareholders (at a special meeting) approved the merger, without knowing of the major accounting changes being made by Mohawk. On May 3, 1971 (the Monday following April 30, a Friday) Mohawk disclosed those changes to the Wall Street Journal.

Defendants were obliged to make complete disclosures on January 27, April 16, April 19, and April 30, because shareholder meetings were held, or public statements were issued, on those dates. Strikingly, defendants argue that no disclosures were required on those dates because in each case the relevant event did not occur until the next day. Yet, careful review reveals that the events occurred before, not after.

Thus plaintiffs have proved "purchaser-seller", "reliance", and "scienter". These are the elements of the §10(b) case which must be proved in addition to the basic requirements of "deception", "materiality", and "damage", which are the elements of the §14(a) case.

POINT III

DEFENDANTS' ACTS, WHEN MEASURED BY COMMON LAW FRAUD PRINCIPLES, CONSTITUTE A FRAUD UPON PLAINTIFFS

Only two significant differences exist between plaintiffs' cause of action under §10(b) of the 1934 Act and its cause of action based upon common law fraud principles. First,

at common law plaintiffs must prove defendants acted with an intent to defraud; and second, at common law plaintiffs may be awarded punitive damages.

As to the former, defendants' intent to defraud in connection with the free-stock deception is demonstrated by Stoutenburgh's admission that he was aware of the importance of the questions as early as January 29, 1971; by his admission that he discussed it with Atron's attorneys; and by his admission that he discussed it with LeLandais. Stoutenburgh cannot say that he believed all plaintiffs would receive freely transferable Mohawk stock, and that therefore all contrary statements were innocently false. He admits that he always believed that certain shareholders (including one of the plaintiffs) would receive restricted Mohawk stock. Therefore his statements to the contrary were knowingly, and admittedly, false. In addition, it must be presumed that Atron's attorneys advised Stoutenburgh of what defendants now claim to be an obvious principle; namely, that stock which was restricted before the merger had to remain restricted after the merger. In the face of such advice, Stoutenburgh's statements had to have been made in bad faith, with intent to mislead.

The same is true of the misstatements and non-disclosures regarding Mohawk's accounting. Wells admits that in March, 1971, more than 30 days before the merger, and at least two weeks before the Proxy Statement, Mohawk's independent

auditors challenged the method of accounting for sales of leased equipment. He further admits that the decisions to change Mohawk's fiscal year and to discontinue sales of leased equipment had been made in March and April; and that the May 4 press release announcing significant negative financial information about Mohawk had been written on and prior to April 30.

None of this was disclosed to Atron's shareholders. The financial information which was disclosed subsequently was corrected and restated. Thus Mohawk admittedly had material information which it elected not to disclose, and that undisclosed information made the disclosed financial statements (including notes) untrue and incomplete. Mohawk acted knowingly. In addition, the dates of Mohawk's disclosures and meetings demonstrate that Wells and Rifenburgh carefully timed each event in order to insure that Atron shareholders did not receive known negative information. Their purpose was to deceive.

In evaluating Mohawk's intention it must be remembered that Mohawk, like the plaintiffs, was a holder of restricted Atron stock; 211,000 shares. The merger in effect liquidated Mohawk's illiquid investment. That is, Mohawk was able to merge Atron in, i.e., acquire Atron, for about $2,300,000 less than it would have paid absent its investment in Atron. Thus Mohawk and plaintiffs were in favor of the merger for the same reason, to liquify their investments. Mohawk accomplished its purpose, obtaining a direct $2,300,000 benefit, while denying equal treatment to plaintiffs.

POINT IV

THE ONLY DEFENSE OFFERED IS INSUFFICIENT

The central defense offered at trial can be stated as follows: in April, 1971, everyone knew, or should have known, that if he held restricted stock prior to a merger he had to receive restricted stock as a result of the merger.

The defense is fallacious for at least the following reasons:

(a) Stoutenburgh claims he was unaware of this "obvious" proposition;

(b) Wells and Rifenburgh were unaware of it at the January 29 meeting;

(c) Both Atron and Mohawk claim that they were not advised by their attorneys of this proposition prior to April 30, 1971, after admittedly having inquired of their attorneys about the question;

(d) On May 26, 1971, Mohawk found it necessary or appropriate to write shareholders a special letter on the subject;

(e) Whether or not the merger would automatically (as a matter of law) remove transfer restrictions, it was possible to fully register the merger (with the SEC) and thereby insure the issuance of saleable stock. This is what Mohawk did in August, 1971, too late, after the price of their stock had dwindled.

(f) Certain Atron shareholders had contractual registration rights. Careful review of these contracts may have led Mohawk to fully register the merger. Admittedly no such review was made (R 262-263, 327-328, 381-383).

(g) Mohawk placed a different, and more stringent, legend on the stock it issued to former Atron shareholders than previously had appeared on the Atron certificates. This shows that Mohawk did not view the transfer restrictions simply as carry-overs from the Atron period. ~~Additionally no such review was made (R252-263, 327-328, 381-384).~~

This refusal by Mohawk either to issue saleable stock in the merger, or to register the merger fully, thus was not the necessary result of an "obvious" legal proposition. It was consistent with Mohawk's desire to lessen the sell pressure on its stock which it knew would result from the bad news it was to announce on May 3.

Stoutenburgh's lack of credibility also is relevant with regard to the free-stock deception. In their pre-trial contentions (S 13(b)) defendants claim that they "had at all relevant times, and still have, no knowledge of ITNR". Defendants tried to make it appear as if plaintiff ITNR was an imposter, or that plaintiff RSI was guilty of an illegal transfer of Atron stock to ITNR. This position was built on Stoutenburgh's statements that he had no knowledge of ITNR at the time of Atron's second private placement. However, when confronted at trial with plaintiff's exhibit 32 (R258), he admitted his signature, and that exhibit shows conclusively that Atron and Stoutenburgh knew of ITNR from the outset.

POINT V

KARPEN BREACHED HIS COMMON LAW FIDUCIARY DUTIES TO PLAINTIFFS

In April, 1971, Mr. Karpen was Executive Vice-President of Mohawk and a director of Atron. By virtue of his position at Mohawk he knew, or should have known, of the impending change in Mohawk's accounting methods, as well as the other material financial and accounting developments. Under Minnesota common law he owed a fiduciary duty to Atron and Atron's shareholders.

> Under the Minnesota common law and statutes, liability is predicated upon a breach of a fiduciary relationship, which involves mainly a lack of good faith. Our statute involving the obligation of directors, Minn. St. 301.31, reads:
>
> "Officers and directors shall discharge the duties of the respective positions in good faith, and with that diligence and care which ordinarily prudent men would exercise under similar circumstances in like positions." McMenomy v. Ryden, 276 Minn. 55 (1967).

Under Minnesota law the obligations of corporate directors include the duty to make prompt and full disclosure to their co-directors of all information relevant to their functions. Thompson v. North Star Muskrat Farm, Inc., 183 Minn. 314 (1931).

Mr. Karpen's fiduciary duty included the duty to disclose to Atron and its shareholders all material information regarding the proposed merger with Mohawk. He failed to make the required disclosures, and thus he breached his fiduciary duty.

The measure of damages for such a breach of fiduciary duty is the full amount of the damages proximately caused by the breach (see "damage" section of fact statement).

CONCLUSION

Plaintiffs are entitled to judgment for damages, rescission, and costs, including a reasonable attorneys fee.

Respectfully submitted,

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